

comprehensive annual
FINANCIAL REPORT



Fiscal year ended September 30, 2005
City of Bryan, Texas

CITY OF BRYAN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2005

Prepared by

Fiscal Services Department
Kathern Davidson, Chief Financial Officer

CITY OF BRYAN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2005

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February 1, 2006

Honorable Mayor, Members of the City Council,
City Manager, and Citizens of the
City of Bryan, Texas

The Fiscal Services Department is pleased to submit the Comprehensive Annual Financial Report for the City of Bryan (the "City") for the fiscal year ended September 30, 2005.

This report is published to provide to the City Council, City staff, citizens, bondholders and other interested parties detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the data is accurate in all material aspects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The City has complied with this requirement, and the auditors' report has been included.

THE REPORT

This report is comprised of three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, a listing of the principal City officials, and an organizational chart of the City. The Financial Section contains the Independent Auditors' Report on the basic financial statements, Management's Discussion and Analysis ("MD&A"), the basic financial statements, with related notes, and combining and individual fund statements and schedules. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction therewith. The City of Bryan's MD&A can be found immediately following the Independent Auditors' Report. The Statistical Section provides financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The Financial Section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board ("GASB") and other professional associations, as applicable.

CITY PROFILE

Location

The City of Bryan, incorporated in 1871, is located in east central Texas, approximately 100 miles north of Houston, in an area referred to as the Brazos Valley. Bryan serves as the county seat for Brazos County. The City of College Station, home of Texas A & M University, adjoins Bryan's southern boundaries. The City encompasses 43.7 square miles and has an estimated population of 69,396.

CITY OF BRYAN, TEXAS

Structure

The City is a home rule city operating under the Council-Manager form of Government. Policy making and legislative authority are vested in the City Council, which is comprised of the Mayor and six other members. Five of the council members are elected by district. The Mayor and one council member are elected at-large. The City Manager is appointed by the City Council and is responsible for the daily management of the City.

The Reporting Entity and Services Provided

This report includes all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria no other governmental organizations are included in the report. For additional information on the reporting entity, refer to Note 1 to the basic financial statements.

The City provides the full range of municipal services contemplated by statute or charter. This includes police, fire and emergency medical services, parks and recreational facilities, library services, street maintenance and construction, public improvements, general administrative services and electrical, water, sewer and solid waste systems. Internal services of the City accounted for on a cost reimbursement basis are general warehouse operations, risk management services, and employee health and disability insurance programs.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and, the evaluation of costs and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget serves as the foundation for the City of Bryan's financial planning and control. The City Charter provides that prior to September 1, the City Manager submits to the City Council a proposed operating budget of estimated expenditures and revenues. The City Council is required to hold public hearings on the proposed budget and adopt a final budget by October 1, the start of the City's fiscal year. The budget is prepared by fund, function, and department. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund. The City Council must approve any revisions that alter the total expenditures of any fund. Budgetary control has been established at the individual fund level.

Detailed reports showing budget and actual expenditures by line item are distributed to department managers monthly. Summarized financial reports and budget reports are provided to the City Council on a quarterly basis. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

CITY OF BRYAN, TEXAS

FACTORS AFFECTING FINANCIAL CONDITION

Economic Conditions

Bryan's economic outlook is positive. Bryan and neighboring College Station are Brazos County's and the surrounding seven-county region's economic center. Texas A&M University, with a student enrollment of more than 44,000 and roughly 12,000 full and part-time employees, ranks among the nation's largest individual campuses and dominates the Bryan-College Station area. While not immune from factors which affect the state and national economies, the area is somewhat insulated due to the concentration of stable or growing employment sectors: government, higher education and health care. Seven of the top ten employers in the area fall into this classification. Employment opportunities also exist in the retail, professional service, and oil and gas industries. Historically, the Bryan-College Station area's unemployment rate has been the lowest in the state.

Throughout the past decade, assessed property valuation has demonstrated strong growth of approximately 6% annually to \$2.67 billion in fiscal year 2006. The fiscal year 2004 and 2005 certified values outpaced the historical average, growing 7.94% and 7.99% respectively, with fiscal year 2006 growth being slightly less at 6.77%. The tax base has a good mix of residential and commercial property, precluding dependence on any of its principal taxpayers.

Fiscal year 2005 sales tax collections stayed strong and continued to increase over prior years; sales tax collections of \$11.7 million were 8.84% higher than the prior year and 11.7% over budget. For the first four months of fiscal year 2006, sales tax collections are 9.9% higher than the same period in fiscal year 2005, and 6.4% over budget.

Bryan continues to enjoy steady growth in the residential housing market. Development on Bryan's east side continues in the Park Hudson, Tiffany Park, and Austin's Colony subdivisions. Permits for fifteen homes valued at \$8.5 million have been issued within the Miramont golf course community, a 1,000 acre development on Bryan's east side. Development of the 900 acre Traditions and University Ranch golf course and residential community on the west side continues. The Jack Nicklaus designed golf course, which serves as the home course for Texas A&M golf opened in July 2004. Through the end of fiscal year 2005, 145 lots have been sold and 48 building permits issued for the construction of homes with a combined value of \$16.5 million. Additional acreage is scheduled to be released for residential development in 2006. Plans are underway for the clubhouse, swim and tennis centers, and a hotel/conference center. Both Miramont and Traditions provide high-end housing alternatives which were previously unavailable in Bryan.

Commercial development and redevelopment continues in the area. In December 2004, the re-design of the former Manor East Mall culminated with the opening of a new 94,000 square foot H-E-B food and drug store, in what is now named the Tejas Center. The store employs 300 people, 200 of which were new hires from the area. Additional improvements to the 34-acre site include the replacement of facades and repaving of the parking area. A new hub of retail activity is well under construction near the intersection of Earl Rudder Freeway and Boonville Road on Bryan's east side. A 16 screen theater complex and a Kroger Signature Store will anchor the area's development. Additional retail, entertainment venues and restaurants are also planned. During 2005, local developers breathed new life into the 15,000 square foot Howell Building located in downtown Bryan. The 105 year old building, once a grocery store, now houses a restaurant, meeting rooms and office space. Just north, on Main Street, the Astin Building, built in 1915, is being transformed into high-tech office space designed to capitalize on what developers are calling a burgeoning "Fibertown" environment in Bryan's oldest business district. Tenants enjoy a bundled package of renovated office space, ample bandwidth and lightning-fast internet speed as part of their monthly lease. Free WiFi along Main Street and Bryan Avenue are added benefits.

Major Initiatives

Construction of the long-awaited Beck Street extension is scheduled to begin in 2006, and continue through 2008. The project, first discussed more than 20 years ago, will allow easier travel for vehicles and pedestrians, while providing additional traffic options in the area of Jane Long Middle School and the Brazos County Industrial Park where they connect to Harvey Mitchell Parkway.

CITY OF BRYAN, TEXAS

Planning and design work has been completed for Downtown Phase II, an \$8 million overhaul of four blocks of Bryan Avenue. Like the Main Street renovations completed in 2004, Bryan Avenue will be reconstructed between 24th and 28th streets, including cross-streets and alleys. Overhead utilities will be moved underground; water, sewer and storm water drainage systems will be upgraded; decorative sidewalks, medians, landscaping, and historical lighting treatments will be added. The project should be completed two years after construction begins. Meanwhile, building renovations continue to attract new business, residents and visitors to the community's only Historic Downtown.

The Villa Maria underpass project, which will allow Villa Maria Road to run beneath the Union Pacific Railroad tracks, has gotten underway. The Texas Department of Transportation project scheduled for completion by early 2008 will increase safety and will allow free-flowing east/west traffic.

Emphasis on improving the condition of the City's 646 lane miles of streets continues. In 2005, the street maintenance program included the overlay of 41 streets, crack sealing 21 streets, and reconstruction (with seal coat or overlay) of 27 streets. In 2006 the City plans to overlay an additional 58 lane miles, seal coat 25 lane miles and reconstruct 5 lane miles of streets.

Bryan Parks and Recreation continues to upgrade its existing parks and recreational facilities with new playground equipment and amenities. The newly renovated and expanded Henderson Park features ball parks, soccer fields, a covered pavilion and skate park, along with a state-of-the-art swim facility with a water slide and colorful canopies to shade poolside picnic areas. The community's first splash pad debuted in Tiffany Park in 2005, with another scheduled to be added in Tanglewood Park.

The Bryan Golf Course, built in 1923, is slated for major improvements over the next two years, as the City moves forward with implementation of the golf course master plan. New greens and tee boxes; irrigation upgrades; fairways with efficient drainage; and improvements to the course's layout are currently being designed. In addition, new cart paths, landscaping, signage and distance markers are part of the plan. With these improvements, the course will provide a more enjoyable golfing experience to future generations.

Efforts to encourage citizen involvement in City government continued in fiscal year 2005. The Neighborhood Association Partnership Program works to help neighborhoods organize, develop a sense of pride, and improve the appearance of the entire city. The City Council has allocated funds for a matching grant program to be utilized to aid neighborhoods with aesthetic improvements. The response from Bryan neighborhoods has been tremendous; thirty-six neighborhood associations have been created. A new neighborhood tool shed program is in the development stages and will be implemented in 2006 which will promote neighborhood beautification and enhance code compliance.

Long-term Financial Planning

The City plans to continue its capital improvement program. The planned issuance of approximately \$25 million in general obligation debt over the next five years will finance street improvements and extensions throughout the City. Plans are underway for the City's fifth fire station. One-third of the 18 employees scheduled to man the station will be hired in fiscal year 2006, with another 6 being hired in both 2007 and 2008. Design of the facility, which will be located on Bryan's west side, is scheduled for 2007, with construction in 2008. A visitor's center, park trails and other recreational amenities are also being considered. Upcoming debt maturities will allow for the issuance of additional debt without the need to increase the property tax rate. Operational expenses related to the new improvements will be funded with growth in revenues generated by increases in property evaluations and improved efficiencies within City operations.

The water and wastewater systems will also continue their capital improvement programs with the issuance of approximately \$46 million in revenue bonds over the next five years. Replacement of under-sized and deteriorating water lines throughout the City; increasing the capacity of various water transmission lines from the well sites to pump stations; and a new water cooling tower are part of the planned water system improvements. The largest improvement for the wastewater system is a new wastewater treatment plant, with planning and design beginning in 2006 and construction planned to begin in 2007. Eliminating infiltration and inflow into the wastewater collection system is also vital to maintaining acceptable flow levels at the existing treatment plants. The Council approved rate increases in 2005 and 2006 for both water and waste water systems of 6% and 5% respectively. Similar rate increases are anticipated annually through fiscal year 2010.

CITY OF BRYAN, TEXAS

The municipal electric system plans to continue its transmission system expansion with the issuance of \$12 million in revenue bonds in fiscal year 2006, and similar sized debt issues annually through 2009.

Cash Management

The City awards its depository contract through official bidding procedures for a period no longer than five years. In December 2004, the City entered into a depository contract with The First National Bank of Bryan for a three-year period with the provision for two one-year extensions.

Temporarily idle cash for all funds is invested by City officials in securities as allowed by Texas Statutes and by the City's Investment Policy. The average balance of the City's investment portfolio for fiscal year 2005 was approximately \$131,800,000. The overall portfolio produced earnings of \$3,991,609 for the fiscal year, which represents an increase of \$1.77 million over the previous year's earnings.

The City's depository contract with The First National Bank of Bryan requires pledged collateral with a market value equal to no less than 105% of the deposits, less the amount insured by the FDIC. Evidence of the pledged collateral is maintained by the fiscal services department and a third party financial institution. Collateral is reviewed daily to assure the market value of the securities pledged equals or exceeds related bank balances. Assets pledged to the City by The First National Bank of Bryan are held at JPMorgan Chase Bank pursuant to a separate custody account agreement.

Investment securities purchased for the City, except investments in pooled funds, are on a delivery versus payment basis. That is, funds are not wired or paid until verification has been made that the correct security has been received by the custodian. Securities are held in a custody account in the City's name. The original copy of all safekeeping statements is delivered to the City. JPMorgan Chase Bank has been designated as the City's safekeeping and custodian bank.

Funds invested in the Texas local government investment pools ("TexPool", "TexSTAR" and "TexasTerm") are collateralized by obligations of the U.S. Government, State of Texas or its agencies, or other political subdivisions with acceptable credit ratings. Investments are managed by trust companies specifically established for this purpose, and are held in safekeeping accounts as follows: TexPool at Federated Investors; TexSTAR at JPMorgan Chase Bank; and TexasTerm at Wachovia Bank.

Annually, the City Council formally adopts an Investment Policy which provides written guidelines for all investment transactions. The Investment Policy provides for an Investment Committee comprised of the Chief Financial Officer, the Treasurer, a representative from the City's current depository, a representative appointed by the City Manager, and a representative appointed by the City Council. The investment committee meets at least semi-annually to determine general investment strategies, monitor results, and to review quarterly investment reports. Monthly reports are reviewed by the Treasurer and Chief Financial Officer. For additional information refer to Note 2 to the financial statements.

Risk Management

The City's risk management program is administered by the risk management department. The department is responsible for monitoring all claims filed against the City and handling the filing of claims, as necessary, on behalf of the City, as well as maintaining the City's insurance coverage in desired areas. The risk management department also administers the Employee Benefits Trust Fund (self-funding medical/dental) and the Insurance Fund (self-funding liability and workers' compensation). The City has an aggressive training program in various risk control techniques. For a recap of insurance policies in force at the end of the fiscal year, see Table 31 on page 139 of the Statistical Section of this report.

Employees Retirement System

The City is a member of the Texas Municipal Retirement System which covers all eligible employees. The plan provides for supplemental disability benefits and no other benefits are guaranteed beyond contributions of the employer, employee, and earnings on the individual employee account. Employee contributions are 7% of gross earnings. The City's contribution rate for 2004 was 12.30% and 12.94% for 2005. Contribution rates are set by TMRS on a calendar year basis. For the fiscal year ended 2005, the City's cost was \$5,240,579. Prior service costs are being funded over a 25-year period which began January 1994, with that portion of the City's current contribution in excess of the current service cost. Note 9 to the financial statements provides additional information with regard to the City's retirement plan.

CITY OF BRYAN, TEXAS

OTHER INFORMATION

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bryan, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The preparation of this report would not have been accomplished without the efforts and dedicated services of the entire staff of the Fiscal Services department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor, City Council and City Manager for their interest and support in planning and conducting the financial affairs of the City in a responsible and professional manner.

Respectfully submitted,



Kathryn Davidson
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bryan,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF BRYAN, TEXAS

PRINCIPAL OFFICIALS

GOVERNING BODY:

Ernie Wentrcek
Russell Bradley
Joe Marin
Paul Madison
Jason Bienski
Mark Conlee
Ben Hardeman

Mayor
Mayor Pro Tem
City Council
City Council
City Council
City Council
City Council

OTHER PRINCIPAL OFFICIALS:

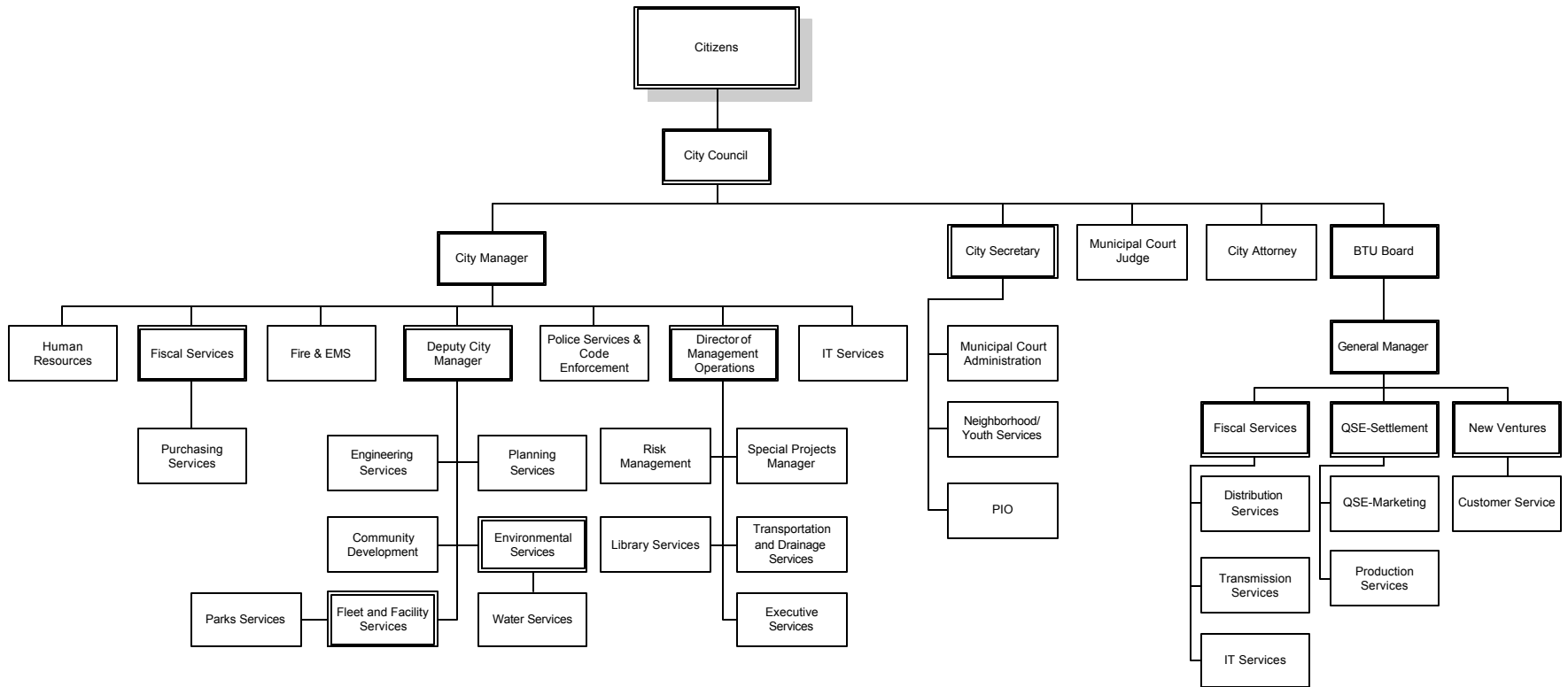
Mary Kaye Moore
Hugh Walker
Michael Cosentino
Mary Lynne Stratta
Kathern Davidson
Dan Wilkerson
Michael Strobe
Mike Donoho

City Manager
Deputy City Manager
City Attorney
City Secretary
Chief Financial Officer
General Manager - Electric Utilities Services
Police Chief
Fire Chief

City of Bryan

Organizational Chart

Fiscal Year 2005





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Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Mayor Ernie Wentreck, Members of
the City Council and City Manager of the
City of Bryan, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bryan, Texas, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Bryan Business Council, Inc., which represents 100 percent of the assets, net assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bryan Business Council, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2005, and the respective changes in financial position and cash flows, where

applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, schedule of funding progress – Texas Municipal Retirement System and budgetary comparison information on pages 3 through 16 and 67 through 69, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of capital assets used in the operation of governmental funds and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, schedules of capital assets used in the operation of governmental funds and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bryan, Texas
December 21, 2005

Ingram, Wallis ; Luyang

CITY OF BRYAN, TEXAS
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2005
(Unaudited)

As management of the City of Bryan, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages vi - xi of this report.

Financial Highlights

- The assets of the City exceed its liabilities at the close of the most recent fiscal year by \$361,922,842 (net assets). Of this amount, \$70,145,458 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$35,251,941.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$55,573,481, a decrease of \$4,827,971 in comparison with the prior year. Approximately 37% (\$20,591,560) of this total amount is available for spending at the City's discretion (unreserved-undesignated fund balance).
- At the end of the current fiscal year, unreserved-undesignated fund balance for the General Fund was \$11,364,609, or 30% of total general fund expenditures.
- The City's total debt increased by \$6,832,064 (4.8%) during the current fiscal year. The factors in this increase were the retirement of \$6,567,524 in principal netted against the issuance of \$13,375,000 in Electric System Revenue Bonds and the \$24,588 loan in Bryan Commerce and Development.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, development, public works (streets and drainage), public safety, and cultural and recreational. The business-type activities of the City include electric generation, distribution and transmission, water supply, wastewater collections and treatment, solid waste collection and a general purpose airport.

CITY OF BRYAN, TEXAS
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2005
(Unaudited)

The government-wide financial statements include not only the City itself (known as the "primary government"), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. BTU QSE Services, Inc. and Bryan Commerce and Development Inc. although also legally separate, function for all practical purposes as departments of the City of Bryan, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 18-20 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bryan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing activities. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-six (26) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the debt service fund, both of which are considered to be major funds. Data from nine (9) special revenue funds, six (6) capital project funds, and nine (9) permanent funds have been combined into one single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Bryan adopts an annual appropriated budget for its general fund, debt service fund and special revenue funds. Individual fund budgetary comparison schedules are provided elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal electric, rural electric, water, wastewater, solid waste, qualified scheduling entity, economic development corporation and airport. Information is presented separately in the proprietary fund statement of net assets, the statement of revenues, expenses and changes in fund net assets, and the statement of cash flows for the electric, rural electric, water and wastewater funds, which are considered major funds. Data from four (4) enterprise funds have been combined into one single, aggregated presentation. Individual fund data for

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each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its warehouse operations, self insurance operations and the employee benefits trust fund. Because the services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the municipal electric, rural electric, water and wastewater systems, all of which are considered major funds of the City. The remaining proprietary funds are combined into a single aggregated presentation in the proprietary fund financial statements. All internal service funds are also combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the aggregated proprietary funds and the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 26-31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-66 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees, and a budgetary comparison schedule for the general fund to demonstrate compliance with the budget. Required supplementary information can be found on pages 67-69 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds and internal service funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 73-100 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 101-102 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Bryan, assets exceed liabilities by \$361,922,842 at the close of the most recent fiscal year.

The largest portion of the City's net assets (64.5%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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City of Bryan's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 68,460,628	\$ 73,219,491	\$ 143,189,182	\$ 126,665,491	\$ 211,649,810	\$ 199,884,982
Capital assets	89,200,194	72,314,735	250,215,452	223,653,077	339,415,646	295,967,812
Total assets	<u>157,660,822</u>	<u>145,534,226</u>	<u>393,404,634</u>	<u>350,318,568</u>	<u>551,065,456</u>	<u>495,852,794</u>
Long-term liabilities outstanding	68,727,737	72,225,867	75,677,703	66,525,197	144,405,440	138,751,064
Other liabilities	10,132,147	10,705,393	34,605,027	19,725,436	44,737,174	30,430,829
Total liabilities	<u>78,859,884</u>	<u>82,931,260</u>	<u>110,282,730</u>	<u>86,250,633</u>	<u>189,142,614</u>	<u>169,181,893</u>
Net assets:						
Invested in capital assets, net of related debt	44,191,705	37,344,694	189,434,764	181,865,188	233,626,469	219,209,882
Restricted	9,408,853	12,411,981	48,742,062	48,397,500	58,150,915	60,809,481
Unrestricted	25,200,380	12,846,291	44,945,078	33,805,247	70,145,458	46,651,538
Total net assets	<u>\$ 78,800,938</u>	<u>\$ 62,602,966</u>	<u>\$ 283,121,904</u>	<u>\$ 264,067,935</u>	<u>\$ 361,922,842</u>	<u>\$ 326,670,901</u>

An additional portion of the City's net assets (16%) represents resources that are subject to external restrictions on their usage. The remaining balance of unrestricted net assets (\$70,145,458) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Bryan was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The \$14,416,587 increase in the amount invested in capital assets, net of related debt is almost entirely due to capital grants and contributions. Street, drainage and sidewalk improvements contributed by developers represent \$7,962,328 of the increase in the governmental activities. While water and wastewater improvements contributed by developers amounted to \$5,483,032. The rural electric system invested \$1,703,178 in capital assets, which is almost the entire amount of their fiscal year net earnings.

There was a decrease of \$2,658,566 in the City's total restricted net assets. Almost the entire amount of the \$3,003,128 decrease in restricted net assets reported in connection with City's governmental activities resulted from the reduction of contractual obligations associated with completion of capital improvement projects.

The City's net assets increased by \$35,251,941 during the current fiscal year. Capital assets contributed by developers and capital grants represent 38% of the increase in total net assets or \$13,445,360: \$7,962,328 in streets, drainage facilities and sidewalks; and \$5,483,032 in water and wastewater improvements. The favorable economic climate in the region resulted in higher than anticipated sales tax revenue in the amount of \$1,231,308. Another factor in the governmental activities increase was the \$1,227,151 increase in the amount of funds retained for street and drainage system maintenance, as the result of increasing the fee structure. Net income generated by the proprietary funds represents \$19,053,969 or 54% of the increase in total net assets. All systems experienced increases in net income due to increased customer demand driven by hotter and drier weather conditions. The internal service funds generated an increase in net assets of \$1,108,289 as premiums collected outpaced insurance claims incurred.

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Governmental activities. Governmental activities increased the City of Bryan's net assets by \$16,197,972, thereby accounting for 46% of the growth in total net assets of the City. Key elements of this increase are as follows:

- Capital assets contributed by developers and capital grants totaling \$8,316,305.
- Internal service activities added \$889,194 in net assets due to reductions in claims experience in workers compensation, liability and health insurance areas.
- Revenue generated by residential lot sales in the Traditions development increased net assets by \$1,789,794.
- Street and drainage improvement funds added \$1,227,151 to net assets, as increased fees generated additional revenue which will be expended in the next fiscal year.
- Sales tax revenue in the amount of \$1,231,308 in excess of expectations.
- Payments to outside agencies were \$617,597 less than budgeted. The most significant of which were: no transfers to the LaSalle Hotel due to better than anticipated operating results; \$410,555 in unrequested façade grants to downtown Bryan business owners; \$50,000 in unspent entryway signage delayed until the next fiscal year; \$53,000 in delayed funding to Easterwood airport.
- Litigation proceeds from an environmental contamination case increased net assets by \$450,000.
- Return of economic development investment in the amount of \$457,679 due to the sale of the Decision One facility, and savings in the amount of \$395,358 due to reduced annual support of the project.

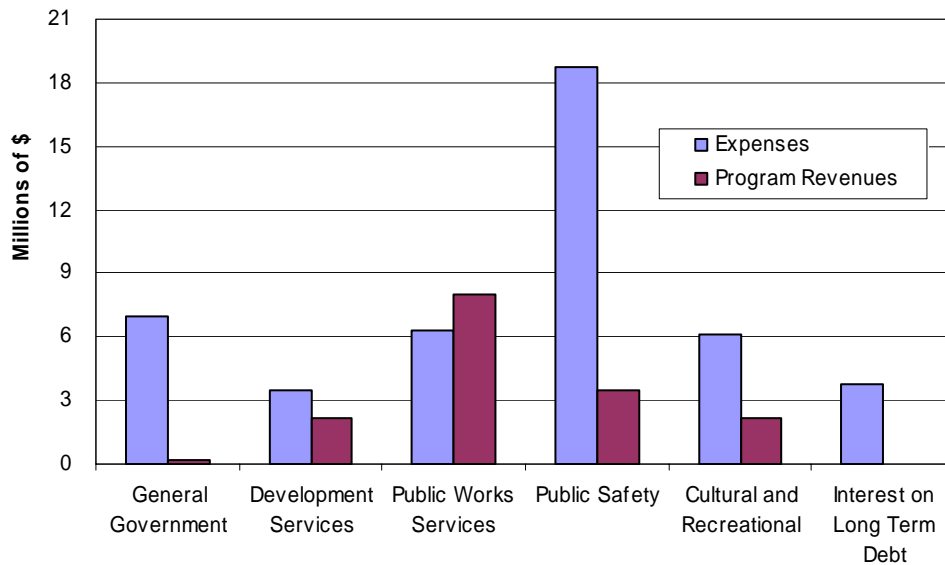
City of Bryan's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,976,220	\$ 3,983,900	\$ 250,962,125	\$ 160,150,338	\$ 255,938,345	\$ 164,134,238
Operating grants and contributions	2,695,069	3,130,823			2,695,069	3,130,823
Capital grants and contributions	8,316,305	5,739,246	5,488,219	2,732,508	13,804,524	8,471,754
General revenues						
Property taxes	16,160,905	14,992,594			16,160,905	14,992,594
Other taxes	17,100,168	14,631,046			17,100,168	14,631,046
Other	6,269,851	5,418,243	2,395,899	3,423,463	8,665,750	8,841,706
Total revenues	55,518,518	47,895,852	258,846,243	166,306,309	314,364,761	214,202,161
Expenses:						
General Government	6,978,510	6,745,877			6,978,510	6,745,877
Development Services	3,464,594	3,984,122			3,464,594	3,984,122
Public Works Services	6,348,405	3,773,365			6,348,405	3,773,365
Public Safety	18,764,003	17,808,452			18,764,003	17,808,452
Cultural and Recreational	6,144,441	5,099,170			6,144,441	5,099,170
Interest on long-term debt	3,791,538	3,977,230			3,791,538	3,977,230
City electric			187,892,006	106,532,985	187,892,006	106,532,985
Rural electric			22,454,245	20,383,211	22,454,245	20,383,211
Water			7,788,777	7,894,538	7,788,777	7,894,538
Wastewater			9,193,987	9,154,681	9,193,987	9,154,681
Other			6,292,314	7,134,688	6,292,314	7,134,688
Total expenses	45,491,491	41,388,216	233,621,329	151,100,103	279,112,820	192,488,319
Increase in net assets before transfers	10,027,027	6,507,636	25,224,914	15,206,206	35,251,941	21,713,842
Transfers	6,170,945	7,922,748	(6,170,945)	(7,922,748)		
Increase in net assets	16,197,972	14,430,384	19,053,969	7,283,458	35,251,941	21,713,842
Net assets - October 1	62,602,966	48,172,582	264,067,935	256,784,477	326,670,901	304,957,059
Net assets - September 30	\$ 78,800,938	\$ 62,602,966	\$ 283,121,904	\$ 264,067,935	\$ 361,922,842	\$ 326,670,901

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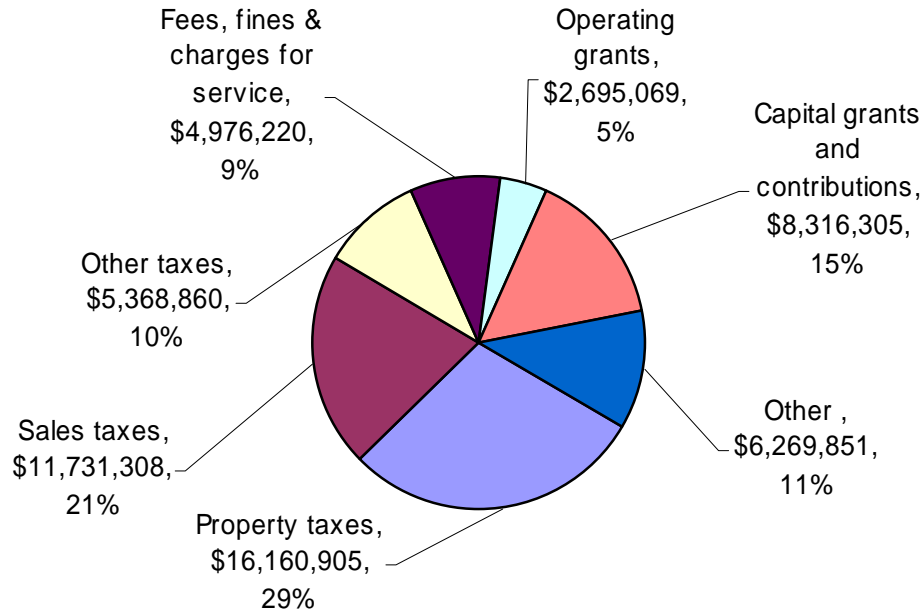
Governmental activity expenses increased by \$4,103,275 in the 2005 fiscal year. Increased wages and benefits provided to employees are responsible for \$955,222 or 23% of the increase in expenses. Decreased grant funding in the community development department accounted for \$285,462 of the \$519,528 decrease in development services expenses. Increased emphasis on street maintenance programs accounted for the \$1,910,954 increase in public works spending. Public safety expenses increased \$329,672 due to the receipt of operating grant funds which were used to purchase equipment and supplies related to homeland security programs. In addition, the shift of animal control activities from the Brazos Animal Shelter to the Bryan police department increased public safety expenses by \$232,633. Recreational spending increased by \$979,125 as the operational expenses for the Bryan Golf Course were incorporated into the governmental activities at the expiration of the operating lease in 2005. Interest on long-term debt decreased \$185,692 as debt with higher interest rates was retired and interest rates on more recent debt issues decreased.

Expenses and Program Revenues - Governmental Activities



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Revenues by Source - Governmental Activities

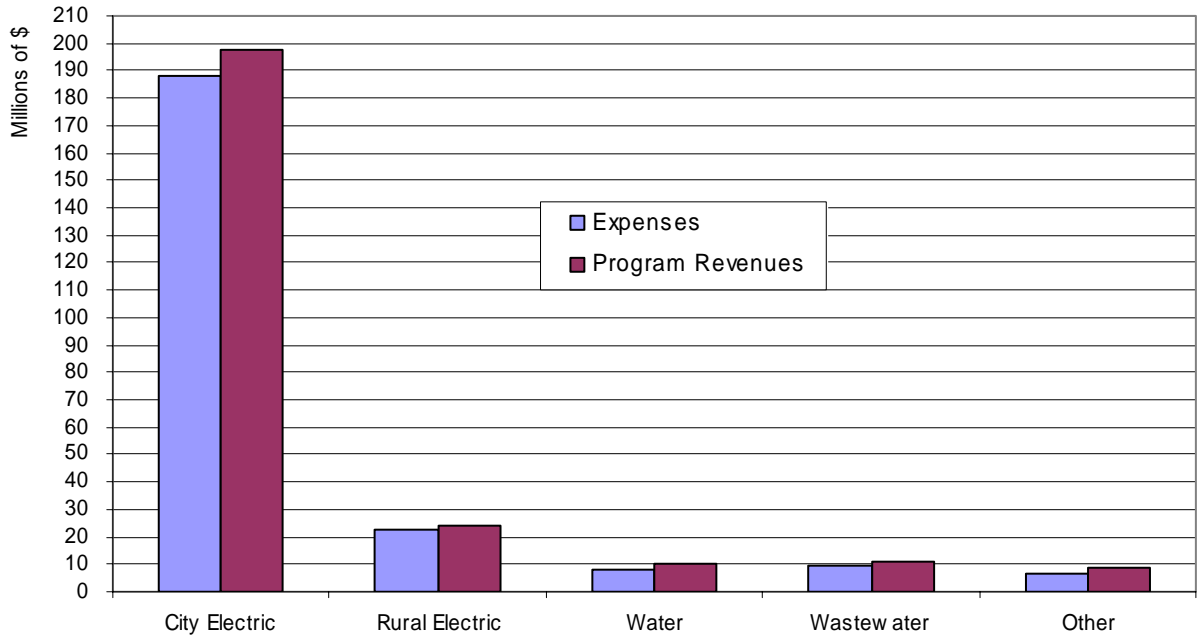


Business-type activities. Business-type activities increased the City of Bryan's net assets by \$19,053,969, accounting for 54% of the total growth in the City's net assets. A 56.7% increase in charges for services offset by a 54.6% increase in expenses limited the amount of the increase in business-type net assets. Key elements of the increase are as follows:

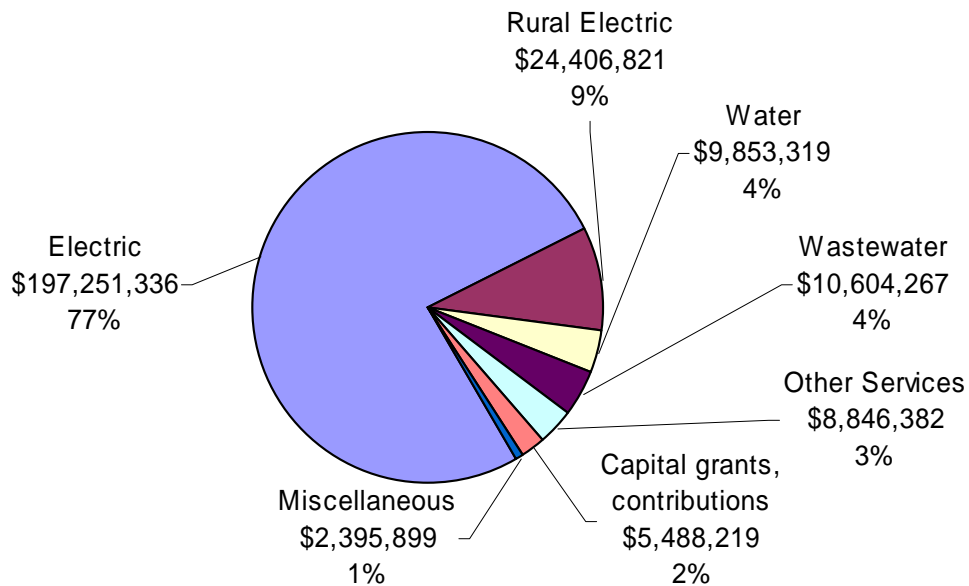
- Charges for services for business-type activities increased by \$90,811,787, due primarily to wholesale electric sales.
- An increase of 6% in water rates combined with a 14% increase in water consumption generated \$1,621,137 (19.7%) in additional water revenue as extremely dry weather patterns existed during fiscal year 2005. The \$5,412,958 increase in water net assets was driven by \$2,263,971 in contributed capital assets from developers and \$1,654,393 of water system improvements funded by general obligation debt proceeds.
- A 5% increase in wastewater rates generated additional wastewater revenues in the amount of \$739,213. As in the water fund, the majority of the fiscal year 2005 increase in wastewater net assets was the result of \$3,219,061 in capital assets contributed by developers and \$253,165 in system improvements funded by general obligation debt proceeds.
- A 3% increase in commercial solid waste rates contributed additional revenue of \$377,863 in the Solid Waste fund.
- Combined electric sales generated \$86,515,833 (64%) more in revenue than in fiscal year 2004. An increased volume of residential sales driven by 2.9% system growth, increased wholesale electric sales at the direction of the Electric Reliability Council of Texas, and increased fuel revenues generated the increase. Higher fuel expenses associated with the increase in sales drove total electric expenses up by \$83,430,055 resulting in an increase of only \$8,827,550 in electric net assets for the fiscal year.
- A decrease of \$133,198 in airport net assets was due to depreciation of capital assets.

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Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



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Financial Analysis of the City's Funds

As earlier noted, the City of Bryan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2005, the City of Bryan's governmental funds reported combined ending fund balances of \$55,573,481. Approximately 37% of this total amount (\$20,591,560) constitutes unreserved - undesignated fund balance, which is available for spending at the government's discretion. Another 11% of the fund balance (\$5,964,255) has been designated by management for various purposes: infrastructure improvements (\$5,294,441), miscellaneous public service (\$32,108), and cultural and recreational expenditures (\$637,706). The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed: to liquidate contracts and purchase orders of the prior period (\$7,446,662), to pay debt service (\$742,870), to capital improvements (\$19,883,372), to permanent endowments (\$527,369), or to other legally restricted purposes (\$417,393).

The general fund is the chief operating fund of the City of Bryan. At the end of the current fiscal year, the unreserved - undesignated fund balance was \$11,364,609 while the total fund balance reached \$19,178,976. As a measure of the funds liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 30% of total general fund expenditures, while total fund balance represents 50% of that same amount.

The fund balance of the City of Bryan's general fund increased by \$1,700,128 during the current fiscal year, compared to an increase of \$2,143,735 in fiscal year 2004. Revenues plus transfers into the fund increased \$3,559,762, while expenditures and transfers out increased \$4,003,369. Key factors in both areas are as follows:

- A \$972,193 increase in property tax revenues from the 7.99% growth in the tax base.
- Increased sales tax revenues contributed an additional \$952,396 to the growth as the local economy remained strong.
- Charges for services increased \$973,436 due to incorporation of the golf course revenues of \$701,187 and increased residential development which resulted in \$208,489 in increased parkland dedication revenues.
- Expenditures totaling \$38,094,132 in the general fund were 17% (\$5,576,446) higher in fiscal year 2005 in comparison to fiscal year 2004.
- An increase in capital expenditures of \$2,698,885 accounts for 48% of the total. This increase can be attributed to the purchase of timekeeping software, the voice over internet protocol telephone system, library HVAC replacement, building purchase for the Information Technology department, parks improvements, replacement police vehicles and the purchase of a replacement ambulance for emergency medical services.
- Wages and benefits provided to employees increased \$944,600, as the City continued to fund the career progression program.
- In 2005, operating expenditures of \$896,073 associated with the Bryan golf course were incorporated into the General Fund after the operating lease at the course expired.
- Continued emphasis on street maintenance programs accounted for \$310,713 of the increase in public works spending.
- There were various other increases and decreases throughout other functions which had an insignificant net effect on total expenditures.

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The Debt Service fund ended the fiscal year with a total fund balance of \$742,870, all of which is reserved for the payment of debt principal and interest. The net increase in fund balance during the current fiscal year was \$66,849. Total expenditures for debt service increased by \$76,107 primarily due to the payment of interest on additional certificates of obligation issued in fiscal year 2004. The fiscal year 2005 property tax rate was established to incorporate the additional debt service expenditures.

The other governmental funds include the special revenue funds, capital project funds, and permanent funds. The fiscal year 2005 net change in fund balance of the special revenue funds is \$1,023,986.

- The most significant source of the increase was \$755,353 in the Street Improvement Fund. A fee increase during fiscal year 2005 resulted in \$1,472,043 in additional revenue.
- The Community Development Fund received unplanned program income in the amount of \$384,165, when a Section 108 loan was repaid in full.
- The Special Projects Fund increased \$472,785 due to the receipt of the final settlement payment combined with investment earnings.
- Savings in the amount of \$395,358 in Tax Increment Reinvestment Zone #8 were recognized due to reduced support of an economic development project.
- These increases along with increases in the remaining special revenue funds were offset by a decrease in fund balance in Tax Increment Reinvestment Zone #10 as funds were transferred to the Debt Service fund for required debt payments.

The net change in fund balance in the capital project funds, a decrease of \$7,687,205, represents the utilization of existing certificate of obligation proceeds to fund capital improvements.

Permanent funds increased fund balance by \$68,271 due primarily to contributions and investment earnings.

Proprietary funds. The City of Bryan's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the electric system at the end of the year amounted to \$13,344,337. The increase in unrestricted net assets for the fund was \$4,217,186. Revenues increased by \$85,846,943 (77%) which can be attributed to an increased volume of sales driven by 2.9% system growth, increased wholesale electric sales at the direction of the Electric Reliability Council of Texas, and increased fuel revenues. Higher fuel expenses associated with the increase in sales drove total electric expenses up by \$80,528,349 (81%) resulting in an increase of \$6,725,832 in electric net assets for the fiscal year.

Unrestricted assets of the rural electric system at the end of the year amounted to \$8,684,298. The total change in net assets for the year was \$2,101,718, with \$1,703,178 invested in capital assets and the remaining \$398,540 increasing unrestricted net assets. The customer base of the rural system increased by 2.6% and MWH sales increased by 8.4%, resulting in increased operating revenues of \$2,073,948 (9.3%). Operating expenses increased by \$2,043,995 (10.5%) due to associated increased purchased power expenses.

Unrestricted assets of the water system at the end of the year amounted to \$4,962,590. The increase in unrestricted net assets for the water fund was \$355,590. The 6% increase in water rates implemented in fiscal year 2005 to finance continuing system maintenance costs and increased debt service expenses, was bolstered by a 14% increase in sales volume due to an extremely dry year. Operating revenue increased by \$1,621,137 (19.7%), while operating expenses increased by \$279,272 (5.45%). The net increase from operations was offset by transfers out and payment of debt service requirements.

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Unrestricted assets of the wastewater system at the end of the year amounted to \$4,558,746, a decrease of \$1,554,988 from 2004. The 5% rate increase implemented in fiscal year 2005 combined with increased treatment volumes resulted in higher operating revenues of \$739,213, a 7.5% increase. Operational expenses remained fairly constant, with a slight decrease of \$69,592 (1.2%). As in the water system, the net increase from operations was offset by transfers out and payment of debt service requirements.

General Fund Budgetary Highlights

The fiscal year 2005 final amended budget, including transfers out, was \$2,176,871 (5.3%) higher than the original budget. Increases can be briefly summarized as follows:

- \$162,162 - emergency medical services and emergency management equipment
- \$360,000 - telephone system upgrade
- \$195,500 - park and golf course improvements
- \$898,570 - city owned facility purchases and improvements
- \$190,285 - police department equipment and supplies
- \$ 20,488 - public programming equipment
- \$155,205 - library office machines and equipment
- \$189,661 - transportation vehicles and heavy equipment
- \$ 5,000 - vital statistics computer equipment

Increases in appropriations totaling \$214,138 were necessary to allow for the expenditure of grants and private contributions awarded during the fiscal year. A reduction of unreserved fund balance in the amount of \$1,866,500 was approved by the City Council for the purchase of a facility to house the Information Technology department, a new telephone system, a new HVAC system for the Bryan library, and golf course improvements. Fund balance designated for library improvements, which represents receipts of private donations to the library, was the funding source for \$144,705 in library equipment purchases. Fund balance designated for educational programming, which represents receipts of a special fee from the local cable franchise, enabled the Public Information Office to purchase \$20,488 in equipment to enhance the programming on the City's public broadcast channel. Proceeds from the sale of obsolete transportation department vehicles and equipment in the amount of \$189,661 were utilized to purchase replacements. Revenue generated by a State mandated fee in the amount of \$5,000 was utilized to purchase a copier for vital statistics activities. Funding in the amount of \$148,809 for animal control activities was transferred from the Solid Waste fund. The expenditure budget was reduced by \$412,430 based upon the Council's decision not to pursue a Texas Department of Transportation grant funded project.

Total revenues of the general fund were \$2,000,803 (6.6%) higher than the final amended budget. The most significant budgetary variance was due to the receipt of sales taxes \$1,231,308 (11.7%) in excess of budget. Franchise tax revenue was \$78,637 (4.9%) over budget due to increased gas utility franchise revenue from higher gas costs. Investment earnings exceeded budget by \$229,972 (76.7%). Investment yields were higher than anticipated due to higher market driven interest rates throughout the year. Increases in collections for emergency medical services and other public safety activities produced revenues in excess of budget by \$175,011 (11.8%). These increases were offset by shortfalls in several areas. Total grant funding fell short of budget by \$80,777 (6.3%); there were delays in approval of plans for the Texas Parks and Wildlife grant for the construction of the Turkey Creek Trail project. The construction of a visitor's center was indefinitely delayed due to a re-design necessitated by budgetary limits imposed by the granting agency; therefore, the budgeted revenues from Texas Department of Transportation were eliminated from the budget. Contributions from the City of College Station which fund the College Station branch library are on a reimbursement basis and were \$14,646 over budget. Recreational revenues were \$112,266 (7.8%) less than budget primarily due to shortfalls in anticipated

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golf course revenues. Municipal court revenues fell short of budget by \$181,300 (11.6%). Increased credit for jail time served mandated by the State of Texas, combined with community service credit in lieu of the payment of fines are responsible for this decline.

General fund expenditures were \$3,202,968 (7.8%) lower than the final amended budget. The general and administrative function experienced budgetary savings of \$2,086,645 (18.2%). Position vacancies in municipal court, legal, fiscal services, purchasing, engineering, transportation, and the libraries generated \$771,822 in savings. Payments to other agencies were \$617,597 (41%) less than budgeted. The City-owned LaSalle Hotel required no funding support from the City due to better than anticipated operating results; Downtown Bryan property owners requested \$410,555 less than was budgeted for façade improvements; \$50,000 budgeted for entryway signage was delayed until the City selected a new logo; \$53,000 budgeted for fire protection services at Easterwood airport were not requested and remained unspent. In keeping with the budgetary shortfall in grant revenues, facilities services experienced budgetary savings of \$412,430 due to the delay in constructing the visitor's center. Budgetary savings for capital outlay in the amount of \$775,219 were the result of delays in the receipt of vehicles and heavy equipment. Funds were re-appropriated in fiscal year 2006.

Capital Assets and Debt Administration

Capital assets. The City of Bryan's investment in capital assets for its governmental and business type activities as of September 30, 2005 amounts to \$339,415,646 (net of accumulated depreciation), an increase of \$43,447,834. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, street and drainage systems, and construction in progress.

Major capital events during the 2005 fiscal year included the following:

- Austin's Colony Parkway was enhanced with lane widening and traffic signalization in the amount of \$434,246.
- Planning and construction of the Justice Center, which will house the Police Department and Municipal Court, began during 2005 with \$660,308 of expenditures.
- Infrastructure construction at Traditions at University Ranch, a joint venture development including a golf course and upscale residential housing, continued during the year. Construction expenditures totaled \$1,976,210.
- Renovation and expansion of Henderson Park in west Bryan accounted for \$1,382,746 of expenditures.
- Replacement of the 20 year old public safety radio system was completed with expenditures totaling \$1,050,273 for the fiscal year.
- Replacement of the aging public safety dispatch and records management system was completed with \$608,376 in expenditures during the fiscal year.
- Additions and improvements to the water system totaled \$10,329,042.
- Construction continued on a number of wastewater collection system improvements with expenses totaling \$3,458,930.
- Electric distribution and transmission system expansion accounted for a total increase in electric system capital assets of \$16,019,747.
- New residential and commercial development contributed to the City increased capital assets by \$13,450,547.

CITY OF BRYAN, TEXAS
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2005
(Unaudited)

**City of Bryan's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 3,544,937	\$ 3,227,319	\$ 7,593,783	\$ 7,580,631	\$ 11,138,720	\$ 10,807,950
Buildings	9,586,627	9,549,899	1,978,736	2,029,794	11,565,363	11,579,693
Equipment	5,194,764	4,720,682	3,236,162	2,730,397	8,430,926	7,451,079
Improvements	18,153,059	15,415,802	198,853,432	190,059,385	217,006,491	205,475,187
Infrastructure	24,510,779	14,369,483			24,510,779	14,369,483
Construction in Progress	28,210,028	25,031,550	38,553,339	21,252,870	66,763,367	46,284,420
Total	<u>\$ 89,200,194</u>	<u>\$ 72,314,735</u>	<u>\$ 250,215,452</u>	<u>\$ 223,653,077</u>	<u>\$ 339,415,646</u>	<u>\$ 295,967,812</u>

Additional information on the City's capital assets can be found in Note 4 to the financial statements on pages 44-45 of this report.

Long-term debt. At the end of the 2005 fiscal year the City of Bryan had total debt outstanding of \$148,249,579. Of this amount, \$65,637,280 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt is secured by specified revenue sources (i.e., revenue bonds).

**Outstanding Debt at Year End
Bonds and Notes Payable**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 1,782,280	\$ 2,618,691	\$ 142,720	\$ 278,354	\$ 1,925,000	\$ 2,897,045
Revenue bonds			77,330,000	66,805,000	77,330,000	66,805,000
Certificates of obligation	63,855,000	65,903,437	45,000	46,563	63,900,000	65,950,000
Notes	3,785,000	4,045,000	1,309,579	1,720,470	5,094,579	5,765,470
Total	<u>\$ 69,422,280</u>	<u>\$ 72,567,128</u>	<u>\$ 78,827,299</u>	<u>\$ 68,850,387</u>	<u>\$ 148,249,579</u>	<u>\$ 141,417,515</u>

The City's total debt increased by \$6,832,064 (4.8%) during the current fiscal year. The City retired \$6,567,524 in outstanding debt and issued electric system revenue bonds in the amount of \$13,375,000 and \$24,588 in notes payable.

The City's General Obligation, Certificate of Obligation and Revenue bond ratings are listed below.

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	Aa3	AA-
Certificates of Obligation	Aa3	AA-
Revenue Bonds	A1	A

Additional information on the City's long-term debt can be found in Note 5 to the financial statements on pages 46-50 of this report.

CITY OF BRYAN, TEXAS
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2005
(Unaudited)

Economic Factors and Next Year's Budgets and Rates

In the 2006 budget, general fund revenues and transfers in are budgeted to increase by \$2,051,217 (5%) from the 2005 adopted budget. General property taxes comprise approximately 26.6% of general fund budgeted revenues and transfers in. Certified assessed property valuations increased 6.8% over the preceding year. Sales tax revenues were budgeted to increase 13.9% over the 2005 budget; receipts for the first five months of fiscal year 2006 have been 9.1% higher than the same period in 2005. Local economic indicators point toward continued growth. Throughout 2005, retail sales, automobile sales, home values and airline boardings all went up in the Bryan-College Station area. The local area is poised for and optimistic about continued growth. Interest income is budgeted to increase as interest rates rise.

As a result of the potential increases in revenue, the City has included a 3.5% increase in budgeted payroll in the fiscal year 2006 budget. A police officer position as well as a videographer position were added to the 2006 budget. Total general fund expenditures and transfers out are budgeted to increase 3.2% in fiscal year 2005.

The 2006 budget includes rate increases of 6% in water and 5% in wastewater. Both increases are being implemented to finance increased debt service expenses resulting from \$6.48 million in revenue bonds issued at the beginning of fiscal year 2006. The water system will issue \$5 million in additional debt in 2006, while the wastewater fund will issue \$3 million in additional debt. The multi-year capital improvement program begun in 2002 is being financed with debt proceeds, which will result in rate adjustments in both water and wastewater for the foreseeable future.

Commercial solid waste rates were not increased in 2006. Through the elimination of the street repair transfer, the Solid Waste Fund is able to cover the costs of expanded collection operations and finance its multi-year equipment replacement program. The fund is budgeted to realize a net gain.

Overall revenues for the electric system are budgeted to increase by 21.9% in the 2006 fiscal year. The increase in revenues is expected to come from passing higher fuel costs through to ratepayers. No change in the rate structure has been proposed for the 2006 fiscal year. The municipal electric fund anticipates the issuance of \$12 million in revenue bonds to finance transmission projects as the demand for system expansion continues.

Rural electric billing rates were also unchanged for fiscal year 2006. Total revenues are projected to be 8.9% higher than the amount adopted in fiscal year 2005. The pass through of higher fuel costs to consumers and system expansion are the factors behind the increase. Distribution system improvements of \$3.44 million are planned in the rural system, which will be financed by income from operations.

Requests for Information

This financial report is designed to provide a general overview of the City of Bryan's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Bryan, Fiscal Services Department, Attn: Chief Financial Officer, P.O. Box 1000, Bryan, Texas 77805-1000.



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CITY OF BRYAN, TEXAS
Statement of Net Assets
As of September 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bryan Business Council, Inc.
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 35,608,724	\$ 13,311,234	\$ 48,919,958	\$ 400,183
Investments	31,356,967	3,911,607	35,268,574	
Receivables:				
Accounts	2,292,822	43,408,222	45,701,044	3,175
Less allowance for uncollectible	(1,153,353)	(1,198,804)	(2,352,157)	
Property taxes	1,035,138		1,035,138	
Less allowance for uncollectible	(754,141)		(754,141)	
Sales taxes	2,030,480		2,030,480	
Assessments	134,869		134,869	
Grants	158,843	1,475	160,318	
Interest	200,393	308,864	509,257	
Notes	118,560		118,560	69,720
Internal balances	(3,992,651)	3,992,651		
Inventories	161,452	4,711,527	4,872,979	
Unrecovered fuel cost		5,399,524	5,399,524	
Prepaid and other assets	175,250	391,052	566,302	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		25,794,969	25,794,969	
Investments		35,241,864	35,241,864	
Permanently restricted:				
Investments	527,369		527,369	
Total current assets	<u>67,900,722</u>	<u>135,274,185</u>	<u>203,174,907</u>	<u>473,078</u>
Noncurrent assets:				
Unamortized bond issuance expense	559,906	708,145	1,268,051	
Investments in BVSWMA		7,206,852	7,206,852	
Capital assets:				
Land	3,544,937	7,593,783	11,138,720	2,580,427
Buildings	18,357,224	2,514,918	20,872,142	194,499
Improvements other than buildings	28,977,952	349,447,723	378,425,675	115,075
Machinery and equipment	17,438,744	11,249,113	28,687,857	
Infrastructure	26,086,701		26,086,701	
Construction in progress	28,210,028	38,553,339	66,763,367	
Less accumulated depreciation	(33,415,392)	(159,143,424)	(192,558,816)	(757,248)
Total capital assets	<u>89,200,194</u>	<u>250,215,452</u>	<u>339,415,646</u>	<u>2,132,753</u>
Total noncurrent assets	<u>89,760,100</u>	<u>258,130,449</u>	<u>347,890,549</u>	<u>2,132,753</u>
Total assets	<u>\$ 157,660,822</u>	<u>\$ 393,404,634</u>	<u>\$ 551,065,456</u>	<u>\$ 2,605,831</u>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bryan Business Council, Inc.
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 2,300,153	\$ 23,943,212	\$ 26,243,365	\$ 1,635
Accrued liabilities and retainages	995,168	629,674	1,624,842	
Claims	993,147		993,147	
Accrued vacation and sick pay	1,503,665	662,047	2,165,712	
Arbitrage rebate		47,242	47,242	
Accrued interest	434,160	48,008	482,168	
General obligation bonds	734,283	90,717	825,000	
Certificates of obligation	2,753,125	1,875	2,755,000	
Notes	275,000	433,024	708,024	23,895
Payable from restricted assets:				
Accounts payable		923,882	923,882	
Accrued liabilities		589,694	589,694	
Accrued interest		957,284	957,284	
Revenue bonds		3,640,000	3,640,000	
Customer deposits	143,446	2,638,368	2,781,814	
Total current liabilities	10,132,147	34,605,027	44,737,174	25,530
Noncurrent liabilities:				
General obligation bonds	1,047,997	52,003	1,100,000	
Certificates of obligation	61,101,875	43,125	61,145,000	
Revenue bonds		73,690,000	73,690,000	
Unamortized bond premiums (discounts) and deferred amount on refunding	(185,513)	753,625	568,112	
Notes	3,510,000	876,555	4,386,555	369,331
Claims	962,777		962,777	
Accrued vacation and sick pay	2,233,514	183,313	2,416,827	
Unearned revenue	57,087	79,082	136,169	
Total noncurrent liabilities	68,727,737	75,677,703	144,405,440	369,331
Total liabilities	78,859,884	110,282,730	189,142,614	394,861
<u>Net Assets</u>				
Invested in capital assets, net of related debt	44,191,705	189,434,764	233,626,469	1,739,527
Restricted for:				
Debt retirement		1,654,925	1,654,925	
Debt service	308,710	909,882	1,218,592	
Perpetual care:				
Expendable	760,081		760,081	
Nonexpendable	527,369		527,369	
Rate stabilization		39,840,760	39,840,760	
Rate litigation		6,336,495	6,336,495	
Contractual obligations	7,446,662		7,446,662	
Other purposes	366,031		366,031	
Unrestricted	25,200,380	44,945,078	70,145,458	471,443
Total net assets	\$ 78,800,938	\$ 283,121,904	\$ 361,922,842	\$ 2,210,970

The notes to the financial statements are an integral part of this statement.

CITY OF BRYAN, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets			Component Unit Bryan Business Council, Inc.
		Fees, Fines and Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government and administration	\$ 6,978,510	\$ 149,738		\$ 33,400	\$ (6,795,372)		\$ (6,795,372)	
Development services	3,464,594	504,189	\$ 1,673,529		(1,286,876)		(1,286,876)	
Public works services	6,348,405			7,962,328	1,613,923		1,613,923	
Public safety	18,764,003	2,963,856	329,672	204,925	(15,265,550)		(15,265,550)	
Cultural and recreational	6,144,441	1,358,437	691,868	115,652	(3,978,484)		(3,978,484)	
Interest on long-term debt	3,791,538				(3,791,538)		(3,791,538)	
Total governmental activities	45,491,491	4,976,220	2,695,069	8,316,305	(29,503,897)		(29,503,897)	
Business-type activities:								
Electric	187,892,006	197,251,336				9,359,330	9,359,330	
Rural electric	22,454,245	24,406,821				1,952,576	1,952,576	
Water	7,788,777	9,853,319		2,263,971		4,328,513	4,328,513	
Wastewater	9,193,987	10,604,267		3,224,248		4,634,528	4,634,528	
Other	6,292,314	8,846,382				2,554,068	2,554,068	
Total business-type activities	233,621,329	250,962,125		5,488,219		22,829,015	22,829,015	
Total primary government	\$ 279,112,820	\$ 255,938,345	\$ 2,695,069	\$ 13,804,524	(29,503,897)	22,829,015	(6,674,882)	
Component unit:								
Bryan Business Council, Inc.	\$ 237,531		\$ 131,390					\$ (106,141)
General revenues:								
Property taxes					16,160,905		16,160,905	
Sales taxes					11,731,308		11,731,308	
Franchise taxes					1,676,744		1,676,744	
Other taxes					3,692,116		3,692,116	
Unrestricted investment earnings					1,842,525	2,149,084	3,991,609	62,507
Miscellaneous					4,427,326	246,815	4,674,141	
Transfers (net)					6,170,945	(6,170,945)		
Total general revenues and transfers					45,701,869	(3,775,046)	41,926,823	62,507
Change in net assets					16,197,972	19,053,969	35,251,941	(43,634)
Net assets, October 1, 2004					62,602,966	264,067,935	326,670,901	2,254,604
Net assets, September 30, 2005					\$ 78,800,938	\$ 283,121,904	\$ 361,922,842	\$ 2,210,970

The notes to the financial statements are an integral part of this statement.



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CITY OF BRYAN, TEXAS

Balance Sheet

Governmental Funds

As of September 30, 2005

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 9,600,611	\$ 381,855	\$ 19,109,533	\$ 29,091,999
Investments	8,675,020	346,359	16,975,436	25,996,815
Receivables:				
Accounts	1,751,431		516,976	2,268,407
Less allowance for uncollectible	(1,073,861)		(79,492)	(1,153,353)
Property taxes	734,997	300,141		1,035,138
Less allowance for uncollectible	(522,573)	(231,568)		(754,141)
Sales taxes	2,030,480			2,030,480
Assessments	134,869			134,869
Grants	81,845		76,998	158,843
Interest	54,529	2,176	106,691	163,396
Notes	61,473		57,087	118,560
Due from other funds	26,589		35,915	62,504
Prepaid and other assets	127,826		42,294	170,120
Total assets	<u>\$ 21,683,236</u>	<u>\$ 798,963</u>	<u>\$ 36,841,438</u>	<u>\$ 59,323,637</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,221,947		\$ 877,980	\$ 2,099,927
Accrued liabilities	731,019		9,122	740,141
Retainages payable	41,596		205,727	247,323
Due to other funds	56,770		39,887	96,657
Customer deposits	143,446			143,446
Unearned revenue	309,482	\$ 56,093	57,087	422,662
Total liabilities	<u>2,504,260</u>	<u>56,093</u>	<u>1,189,803</u>	<u>3,750,156</u>
Fund balances:				
Reserved for:				
Encumbrances	1,563,098		5,883,564	7,446,662
Noncurrent notes receivable	51,362			51,362
Police activities	24,107			24,107
Court activities	211,545		130,379	341,924
Debt service		742,870		742,870
Capital improvements			19,883,372	19,883,372
Perpetual care			527,369	527,369
Unreserved - designated, reported in:				
General fund	5,964,255			5,964,255
Unreserved - undesignated, reported in:				
General fund	11,364,609			11,364,609
Special revenue funds			8,466,870	8,466,870
Permanent funds			760,081	760,081
Total fund balances	<u>19,178,976</u>	<u>742,870</u>	<u>35,651,635</u>	<u>55,573,481</u>
Total liabilities and fund balances	<u>\$ 21,683,236</u>	<u>\$ 798,963</u>	<u>\$ 36,841,438</u>	<u>\$ 59,323,637</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BRYAN, TEXAS

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
As of September 30, 2005

Total fund balances - governmental funds	\$ 55,573,481
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. (Includes net capital assets of the Internal service funds in the amount of \$200,906.)	89,200,194
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	365,575
Internal service funds are used by management to charge the costs of risk management, employee health insurance benefits, and central warehousing to individual funds. The assets and liabilities of the internal service funds related to governmental activities are included in the governmental activities in the statement of net assets. (Net of amount allocated to business-type activities of \$4,086,137 and net capital assets in the amount of \$200,906.)	6,470,185
Interest payable on long-term debt does not require current financial resources, and therefore, is not reported as a liability in governmental funds balance sheet.	(434,160)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(72,374,337)</u>
Net assets of governmental activities	<u>\$ 78,800,938</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BRYAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2005

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 11,132,653	\$ 4,620,532	\$ 428,039	\$ 16,181,224
Sales taxes	11,731,308			11,731,308
Franchise taxes	1,676,744			1,676,744
Other taxes	191,193		3,500,923	3,692,116
Charges for services	2,985,561			2,985,561
Fines and court charges	1,415,843		35,852	1,451,695
Licenses and permits	538,964			538,964
Grants	1,200,690		1,848,356	3,049,046
Investment earnings	529,972	53,311	962,935	1,546,218
Litigation proceeds			450,000	450,000
Oil and gas royalties			58,379	58,379
Other	705,989		3,008,758	3,714,747
Total revenues	<u>32,108,917</u>	<u>4,673,843</u>	<u>10,293,242</u>	<u>47,076,002</u>
Expenditures:				
Current:				
General government and administration	9,365,951		47,135	9,413,086
Development services	2,036,515		1,409,361	3,445,876
Public works services	2,717,331		2,686,196	5,403,527
Public safety	18,055,907			18,055,907
Cultural and recreational	5,035,662		159,969	5,195,631
Administrative reimbursement	(3,213,331)			(3,213,331)
Capital outlay	3,977,756		8,714,342	12,692,098
Debt service:				
Bond and principal retirement		2,884,848	260,000	3,144,848
Interest and fiscal charges	118,341	3,888,296	138,696	4,145,333
Total expenditures	<u>38,094,132</u>	<u>6,773,144</u>	<u>13,415,699</u>	<u>58,282,975</u>
Excess of expenditures over revenues	<u>(5,985,215)</u>	<u>(2,099,301)</u>	<u>(3,122,457)</u>	<u>(11,206,973)</u>
Other financing sources (uses):				
Sales of capital assets	206,033			206,033
Transfers in	7,585,253	2,166,150	583,000	10,334,403
Transfers out	(105,943)		(4,055,491)	(4,161,434)
Total other financing sources (uses)	<u>7,685,343</u>	<u>2,166,150</u>	<u>(3,472,491)</u>	<u>6,379,002</u>
Net change in fund balances	1,700,128	66,849	(6,594,948)	(4,827,971)
Fund balances, October 1, 2004	<u>17,478,848</u>	<u>676,021</u>	<u>42,246,583</u>	<u>60,401,452</u>
Fund balances, September 30, 2005	<u>\$ 19,178,976</u>	<u>\$ 742,870</u>	<u>\$ 35,651,635</u>	<u>\$ 55,573,481</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BRYAN, TEXAS
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2005

Net change in fund balances - total governmental funds \$ (4,827,971)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 12,692,098

The net effect of various transactions involving capital assets (i.e., sales and contributions) is to increase net assets. 7,962,328

Depreciation expense on capital assets reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (3,733,020)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is detailed below:

Debt principal repayments 3,144,848

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. (259,213)

Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. 353,795

Some property taxes will not be collected for several months after the city's fiscal year end, and are not considered "available" revenues in the governmental funds. 185,323

Some revenues reported in the governmental funds were earned in prior periods; and therefore, are not reported in the government-wide statement of activities. (209,410)

Internal service funds are used by management to charge the costs of risk management, employee health insurance benefits, and central warehousing to individual funds. The net revenue of the internal service funds related to governmental activities is reported with governmental activities (net of amount allocated to business-type activities of \$219,095). 889,194

Change in net assets of governmental activities. \$ 16,197,972

The notes to the financial statements are an integral part of this statement.

CITY OF BRYAN, TEXAS

Statement of Net Assets

Proprietary Funds

As of September 30, 2005

Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric Fund	Rural Electric Fund	Water Fund	Wastewater Fund	Other Enterprise Funds	Total Enterprise Funds	
<u>Assets</u>							
Current assets:							
Cash and cash equivalents		\$ 8,937,959	\$ 1,784,460	\$ 1,756,356	\$ 832,459	\$ 13,311,234	\$ 6,516,725
Investments			1,617,452	1,591,801	702,354	3,911,607	5,887,521
Accounts receivable	\$ 16,797,359	3,663,052	1,705,525	1,489,081	19,753,205	43,408,222	24,415
Less allowance for uncollectible	(623,214)	(134,112)	(118,910)	(180,880)	(141,688)	(1,198,804)	
Grants					1,475	1,475	
Interest receivable	238,308		34,250	31,892	4,414	308,864	36,997
Inventories	4,552,956		157,953		618	4,711,527	161,452
Due from other funds	24,347,338		140,022	155,516	78,917	24,721,793	127,639
Unrecovered fuel cost	3,426,302	1,973,222				5,399,524	
Prepaid and other assets	241,906			125	149,021	391,052	5,130
Restricted assets:							
Cash and cash equivalents	17,400,309	333,002	4,223,492	3,838,166		25,794,969	
Investments	27,927,570		3,831,861	3,482,433		35,241,864	
Total current assets	<u>94,308,834</u>	<u>14,773,123</u>	<u>13,376,105</u>	<u>12,164,490</u>	<u>21,380,775</u>	<u>156,003,327</u>	<u>12,759,879</u>
Noncurrent assets:							
Unamortized bond issuance expenses	177,136		274,872	249,782	6,355	708,145	
Investments in BVSWM					7,206,852	7,206,852	
Capital assets:							
Land	2,093,185	111,054	208,619	291,082	4,889,843	7,593,783	
Buildings			20,000	14,170	2,480,748	2,514,918	23,419
Equipment			1,798,375	3,006,202	6,444,536	11,249,113	338,119
Improvements other than buildings	185,979,133	34,868,211	49,716,179	73,794,358	5,089,842	349,447,723	79,301
Construction in progress	14,265,828	1,031,023	16,503,666	6,749,064	3,758	38,553,339	
Less accumulated depreciation	(94,822,907)	(13,078,745)	(18,403,481)	(25,936,740)	(6,901,551)	(159,143,424)	(239,933)
Total capital assets (net of accumulated depreciation)	<u>107,515,239</u>	<u>22,931,543</u>	<u>49,843,358</u>	<u>57,918,136</u>	<u>12,007,176</u>	<u>250,215,452</u>	<u>200,906</u>
Total noncurrent assets	<u>107,692,375</u>	<u>22,931,543</u>	<u>50,118,230</u>	<u>58,167,918</u>	<u>19,220,383</u>	<u>258,130,449</u>	<u>200,906</u>
Total assets	<u>\$ 202,001,209</u>	<u>\$ 37,704,666</u>	<u>\$ 63,494,335</u>	<u>\$ 70,332,408</u>	<u>\$ 40,601,158</u>	<u>\$ 414,133,776</u>	<u>\$ 12,960,785</u>

Business-type Activities - Enterprise Funds							Governmental
	Electric Fund	Rural Electric Fund	Water Fund	Wastewater Fund	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
<u>Liabilities</u>							
Current liabilities:							
Accounts payable	\$ 23,397,861	\$ 117,790	\$ 192,130	\$ 126,572	\$ 108,859	\$ 23,943,212	\$ 200,226
Accrued liabilities	341,927	28,590	37,268	49,577	172,312	629,674	7,704
Claims							993,147
Due to other funds	492,258	5,557,958			18,765,063	24,815,279	
Arbitrage rebate	44,200		1,986	1,056		47,242	
Unearned revenue	71,116			7,966		79,082	
Accrued interest					48,008	48,008	
General obligation bonds	2,751		1,722	12,877	73,367	90,717	
Certificates of obligation					1,875	1,875	
Notes					433,024	433,024	
Accrued vacation and sick pay	382,708	51,485	66,925	47,803	113,126	662,047	39,703
Current liabilities payable from restricted assets:							
Accounts payable			807,760	116,122		923,882	
Accrued liabilities			401,359	188,335		589,694	
Accrued interest	202,779		370,128	384,377		957,284	
Revenue bonds	835,000		1,365,899	1,439,101		3,640,000	
Customer deposits	2,305,366	333,002				2,638,368	
Total current liabilities	<u>28,075,966</u>	<u>6,088,825</u>	<u>3,245,177</u>	<u>2,373,786</u>	<u>19,715,634</u>	<u>59,499,388</u>	<u>1,240,780</u>
Noncurrent liabilities:							
General obligation bonds	1,578		986	7,382	42,057	52,003	
Certificates of obligation					43,125	43,125	
Revenue bonds	18,590,000		27,151,217	27,948,783		73,690,000	
Unamortized bond premiums (discounts) and deferred amount on refunding	(441,623)		538,443	656,805		753,625	
Notes					876,555	876,555	
Claims							962,777
Accrued vacation and sick pay			59,853	52,171	71,289	183,313	
Total noncurrent liabilities	<u>18,149,955</u>	<u></u>	<u>27,750,499</u>	<u>28,665,141</u>	<u>1,033,026</u>	<u>75,598,621</u>	<u>962,777</u>
Total liabilities	<u>46,225,921</u>	<u>6,088,825</u>	<u>30,995,676</u>	<u>31,038,927</u>	<u>20,748,660</u>	<u>135,098,009</u>	<u>2,203,557</u>
<u>Net Assets</u>							
Invested in capital assets, net of related debt	94,390,034	22,931,543	27,194,606	34,375,053	10,543,528	189,434,764	200,906
Restricted for:							
Debt retirement	1,654,925					1,654,925	
Debt service	208,737		341,463	359,682		909,882	
Rate stabilization	39,840,760					39,840,760	
Rate litigation	6,336,495					6,336,495	
Unrestricted	13,344,337	8,684,298	4,962,590	4,558,746	9,308,970	40,858,941	10,556,322
Total net assets	<u>\$ 155,775,288</u>	<u>\$ 31,615,841</u>	<u>\$ 32,498,659</u>	<u>\$ 39,293,481</u>	<u>\$ 19,852,498</u>	<u>279,035,767</u>	<u>\$ 10,757,228</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						4,086,137	
Net assets of business-type activities						<u>\$ 283,121,904</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF BRYAN, TEXAS
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Electric Fund	Rural Electric Fund	Water Fund	Wastewater Fund	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:							
Electrical system	\$ 195,821,197	\$ 24,406,821			\$ 1,430,139	\$ 221,658,157	
Water system			\$ 9,853,319			9,853,319	
Sewer system				\$ 10,604,267		10,604,267	
Other	1,499,201				7,347,181	8,846,382	\$ 6,410,402
Total operating revenues	<u>197,320,398</u>	<u>24,406,821</u>	<u>9,853,319</u>	<u>10,604,267</u>	<u>8,777,320</u>	<u>250,962,125</u>	<u>6,410,402</u>
Operating expenses:							
Personnel services	8,320,810	473,905	1,875,982	2,456,528	3,265,889	16,393,114	339,326
Electric operations	165,029,995	20,458,260				185,488,255	
Maintenance	1,740,835	351,554	534,347	565,163	311,699	3,503,598	6,949
Claims							4,234,985
Other services and charges	1,719,214		1,628,308	1,273,308	2,019,008	6,639,838	805,853
Other expenses	653,768		164,942	409,108	427,103	1,654,921	30,271
General and administrative	2,563,890	184,281	919,383	1,061,384	578,000	5,306,938	145,000
Administrative reimbursement					(185,436)	(185,436)	
Total operating expenses before depreciation	<u>180,028,512</u>	<u>21,468,000</u>	<u>5,122,962</u>	<u>5,765,491</u>	<u>6,416,263</u>	<u>218,801,228</u>	<u>5,562,384</u>
Operating income before depreciation	17,291,886	2,938,821	4,730,357	4,838,776	2,361,057	32,160,897	848,018
Depreciation	6,022,662	986,245	1,169,260	1,832,687	872,374	10,883,228	35,947
Operating income	<u>11,269,224</u>	<u>1,952,576</u>	<u>3,561,097</u>	<u>3,006,089</u>	<u>1,488,683</u>	<u>21,277,669</u>	<u>812,071</u>
Nonoperating revenues (expenses):							
Investment earnings	1,244,602	149,142	411,798	303,607	39,935	2,149,084	296,307
Interest expense	(542,994)		(1,520,448)	(1,628,597)	(82,180)	(3,774,219)	
Distributive share of BVSWMMA net loss					(91,031)	(91,031)	
Other - net			15,489	67,385	(121,590)	(38,716)	1,935
Total nonoperating revenues (expenses)	<u>701,608</u>	<u>149,142</u>	<u>(1,093,161)</u>	<u>(1,257,605)</u>	<u>(254,866)</u>	<u>(1,754,882)</u>	<u>298,242</u>
Income before contributions and transfers	11,970,832	2,101,718	2,467,936	1,748,484	1,233,817	19,522,787	1,110,313
Capital contributions			2,263,971	3,219,061		5,483,032	
Transfers in	885,000		1,654,393	253,165	514,286	3,306,844	
Transfers out	(6,130,000)		(973,342)	(958,474)	(1,415,973)	(9,477,789)	(2,024)
Change in net assets	<u>6,725,832</u>	<u>2,101,718</u>	<u>5,412,958</u>	<u>4,262,236</u>	<u>332,130</u>	<u>18,834,874</u>	<u>1,108,289</u>
Net assets, October 1, 2004	<u>149,049,456</u>	<u>29,514,123</u>	<u>27,085,701</u>	<u>35,031,245</u>	<u>19,520,368</u>		<u>9,648,939</u>
Net assets, September 30, 2005	<u>\$ 155,775,288</u>	<u>\$ 31,615,841</u>	<u>\$ 32,498,659</u>	<u>\$ 39,293,481</u>	<u>\$ 19,852,498</u>		<u>\$ 10,757,228</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						219,095	
Change in net assets of business-type activities.						<u>\$ 19,053,969</u>	

The notes to the financial statements are an integral part of this statement.



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CITY OF BRYAN, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Electric Fund	Rural Electric Fund	Water Fund	Wastewater Fund	Other Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:							
Receipts from customers and users	\$ 164,024,217	\$ 23,347,573	\$ 9,507,251	\$ 10,508,553	\$ 20,612,982	\$ 228,000,576	\$ 2,839,587
Receipts for interfund services provided					185,436	185,436	4,901,682
Payments to suppliers	(147,107,003)	(17,747,422)	(1,548,894)	(2,531,666)	(14,648,817)	(183,583,802)	(6,000,134)
Payments to employees	(8,166,344)	(475,530)	(1,933,929)	(2,553,486)	(3,330,993)	(16,460,282)	(349,058)
Payments for interfund services used			(919,383)	(1,061,384)	(578,000)	(2,558,767)	(145,000)
Net cash provided by operating activities	<u>8,750,870</u>	<u>5,124,621</u>	<u>5,105,045</u>	<u>4,362,017</u>	<u>2,240,608</u>	<u>25,583,161</u>	<u>1,247,077</u>
Cash flows from noncapital financing activities:							
Transfers in	885,000				514,286	1,399,286	
Transfers out	(6,130,000)		(973,342)	(958,474)	(1,415,973)	(9,477,789)	(2,024)
Net cash used by noncapital financing activities	<u>(5,245,000)</u>		<u>(973,342)</u>	<u>(958,474)</u>	<u>(901,687)</u>	<u>(8,078,503)</u>	<u>(2,024)</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(13,330,324)	(2,689,423)	(10,329,042)	(3,458,930)	(798,518)	(30,606,237)	
Capital contributions			183,575	81,830		265,405	
Grant proceeds				5,187	24,378	29,565	
Note proceeds					24,588	24,588	
Revenue bond proceeds	13,120,169					13,120,169	
Principal paid on general obligation bonds	(9,675)		(6,050)	(45,200)	(74,709)	(135,634)	
Principal paid on certificates of obligation					(1,563)	(1,563)	
Principal paid on revenue bonds	(360,000)		(1,198,477)	(1,291,523)		(2,850,000)	
Principal paid on notes					(435,479)	(435,479)	
Interest paid on bonds, contractual obligations, and notes	<u>(500,882)</u>		<u>(1,578,660)</u>	<u>(1,784,607)</u>	<u>(102,720)</u>	<u>(3,966,869)</u>	
Net cash used by capital and related financing activities	<u>(1,080,712)</u>	<u>(2,689,423)</u>	<u>(12,928,654)</u>	<u>(6,493,243)</u>	<u>(1,364,023)</u>	<u>(24,556,055)</u>	
Cash flows from investing activities:							
Purchase of investment securities	(13,505,671)		(5,179,293)	(4,877,165)	(635,062)	(24,197,191)	(5,311,182)
Sale of investment securities	17,165,138		2,959,447	1,257,711	291,265	21,673,561	2,123,167
Interest on investments	1,192,280	149,142	391,481	279,711	37,068	2,049,682	270,957
Net cash provided (used) by investing activities	<u>4,851,747</u>	<u>149,142</u>	<u>(1,828,365)</u>	<u>(3,339,743)</u>	<u>(306,729)</u>	<u>(473,948)</u>	<u>(2,917,058)</u>
Net increase (decrease) in cash and cash equivalents	7,276,905	2,584,340	(10,625,316)	(6,429,443)	(331,831)	(7,525,345)	(1,672,005)
Cash and cash equivalents, October 1, 2004	<u>10,123,404</u>	<u>6,686,621</u>	<u>16,633,268</u>	<u>12,023,965</u>	<u>1,164,290</u>	<u>46,631,548</u>	<u>8,188,730</u>
Cash and cash equivalents, September 30, 2005	<u>\$ 17,400,309</u>	<u>\$ 9,270,961</u>	<u>\$ 6,007,952</u>	<u>\$ 5,594,522</u>	<u>\$ 832,459</u>	<u>\$ 39,106,203</u>	<u>\$ 6,516,725</u>

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Electric Fund	Rural Electric Fund	Water Fund	Wastewater Fund	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of operating income to net cash provided by operating activities:							
Operating income	\$ 11,269,224	\$ 1,952,576	\$ 3,561,097	\$ 3,006,089	\$ 1,488,683	\$ 21,277,669	\$ 812,071
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation	6,022,662	986,245	1,169,260	1,832,687	872,374	10,883,228	35,947
Nonoperating revenue			15,489	62,198	139,851	217,538	1,935
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(7,071,516)	(791,564)	(320,122)	(90,551)	(13,634,655)	(21,908,408)	274,939
(Increase) decrease in inventory	(296,072)		41,357			(254,715)	(26,269)
Increase in due from other funds	(16,692,243)		(41,435)	(67,361)	(18,140)	(16,819,179)	(5,025)
(Increase) decrease in unrecovered fuel	1,356,026	(326,808)				1,029,218	
(Increase) decrease in prepaid assets	(32,438)		15,285	13,916	(36,120)	(39,357)	4,790
Increase (decrease) in accounts payable	13,741,694	50,389	392,928	(288,952)	(7,710)	13,888,349	55,939
Increase (decrease) in accrued liabilities	46,476	(7,897)	262,902	(93,365)	(50,603)	157,513	(11,053)
Increase in customer deposits	215,999	20,947				236,946	
Increase in due to other funds	87,226	3,234,461			13,482,010	16,803,697	
Increase in claims payable							102,483
Increase (decrease) in accrued vacation and sick pay	103,832	6,272	8,284	(12,644)	4,918	110,662	1,320
Net cash provided by operating activities	<u>\$ 8,750,870</u>	<u>\$ 5,124,621</u>	<u>\$ 5,105,045</u>	<u>\$ 4,362,017</u>	<u>\$ 2,240,608</u>	<u>\$ 25,583,161</u>	<u>\$ 1,247,077</u>
Noncash investing, capital and financing activities:							
Contributed capital assets			\$ 3,734,789	\$ 3,390,396		\$ 7,125,185	
Capital assets transferred to developers					\$ (285,819)	(285,819)	
Decrease in investment in BVSWM					(91,031)	(91,031)	
Reconciliation of total cash and cash equivalents:							
Current assets - cash and cash equivalents		\$ 8,937,959	\$ 1,784,460	\$ 1,756,356	\$ 832,459	\$ 13,311,234	\$ 6,516,725
Restricted assets - cash and cash equivalents	<u>\$ 17,400,309</u>	<u>333,002</u>	<u>4,223,492</u>	<u>3,838,166</u>		<u>25,794,969</u>	
Total cash and cash equivalents	<u>\$ 17,400,309</u>	<u>\$ 9,270,961</u>	<u>\$ 6,007,952</u>	<u>\$ 5,594,522</u>	<u>\$ 832,459</u>	<u>\$ 39,106,203</u>	<u>\$ 6,516,725</u>

The notes to the financial statements are an integral part of this statement.



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CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements
September 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Bryan, Texas (the "City") is a municipal corporation which operates under a Council-Manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended component units

The BTU QSE Services, Inc. ("the QSE") was formed in anticipation of deregulation of the electric market within the state of Texas. The QSE exists to perform qualified scheduling services of electrical generation for the City of Bryan electric system. The QSE is a separate legal entity, whose primary purpose is to provide a service to the City. The QSE is reported as an enterprise fund.

Bryan Commerce and Development Incorporated ("BCD") was created to assist and act on behalf of the City in promoting, developing, encouraging, and maintaining employment, commerce, economic development, and public facility development in the City. The Bryan City Council serves as the Board of Directors of BCD. Since the elected officials of the City are financially accountable for BCD and the primary purpose of BCD is to provide a service to the City, BCD is considered a blended component unit. BCD is reported as an enterprise fund.

Discretely presented component unit

The City has included the Bryan Business Council, Inc. (the "Council") in its financial statements as a discretely presented component unit, since the City is financially accountable for the entity. The Council, a non-profit corporation, was originally formed to market properties within the City owned Bryan Industrial Park. In addition, the Council currently serves as an economic development arm of the City, and as such, provides a financial benefit to the City. The City provides coverage for the board of directors under the City's officer and employee liability plan, provides office space and limited administrative support to the Council. The Council's board of directors is appointed by and serves at the discretion of the Bryan City Council. The Bryan City Council also directs the work plan and objectives of the Council. Financial statements may be obtained by contacting:

The Bryan Business Council, Inc.
P. O. Box 1000
Bryan, Texas 77805

Joint ventures

The City of Bryan entered into a joint venture in 1990 with the City of College Station creating the Brazos Valley Solid Waste Management Agency ("BVSWM"). BVSWM was formed to combine landfill operations for the two cities. BVSWM is subject to joint control, and each city holds a 50% interest and ownership in BVSWM. The City's equity interest in BVSWM is reported in the Solid Waste Fund. (See Note 11).

The City's financial statements do not include the Texas Municipal Power Agency ("TMPA"). TMPA, a separate municipal corporation, is a joint venture entered into by the Texas cities of Bryan, Garland, Denton and Greenville, for the purpose of obtaining the economic advantages of jointly financing, constructing and operating electric generating units to supply the cities' electric energy needs. The eight-member board of directors of TMPA includes only two members appointed by the Bryan City Council.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

1. – (Continued)

TMPA's management is independent from all cities involved. The City has an ongoing financial interest in TMPA due to the City's guarantee of a portion of TMPA's debt. (See Note 10).

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column in the appropriate governmental fund and proprietary fund statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* accounts for the financial resources accumulated for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts are restricted exclusively for debt service expenditures.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are a determination of net income, financial position and cash flow. All assets and liabilities are included in the Statement of Net Assets.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

1. – (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. At fiscal year end, the City accrues estimated unbilled revenues (excluding fuel expense) for electric, water and wastewater customers.

The City reports the following major proprietary funds:

The *Electric Fund* accounts for the activities necessary to provide electric services to the residents of the City. These activities include administration, electric generation, distribution, transmission system operations and maintenance, new construction, financing and related debt service, and billing and collection.

The *Rural Electric Fund* accounts for the activities necessary to provide electric services to its customers living outside the City and within its service area. These activities include electric distribution, transmission system operations and maintenance, new construction, financing and related debt service. Administrative, billing and collection services are provided by the electric fund.

The *Water Fund* accounts for the activities necessary to provide water services to the residents of the City. These activities include administrative services, water production and distribution system operations and maintenance, new construction, financing and related debt service. Billing and collection services are provided by the electric fund under a contractual agreement.

The *Wastewater Fund* accounts for the activities necessary to provide wastewater collection and treatment services to the residents of the City. These activities include administrative services, wastewater system operations and maintenance, new construction, financing and related debt service. Billing and collection services are provided by the electric fund under a contractual agreement.

Additionally, the City reports the following fund types:

Internal service funds account for the City's central warehouse function; administration of self funded health insurance provided to City employees; and, the City's risk management activities, including general liability and workers' compensation claims and associated administrative expenses on a cost reimbursement basis.

A Fiduciary fund accounts for the City's payroll funds. Each of the other funds contributes its respective share of personnel costs to the Payroll Fund. Employee wages, associated employment taxes and employee benefits are paid from the fund. This fund is excluded from the government-wide statement of net assets and statement of activities since the assets are not available to support the City's own programs.

Measurement focus, basis of accounting, and financial statement presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

1. – (Continued)

The government-wide financial statements and fund financial statements for proprietary and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. All assets and liabilities (whether current or non-current) are included on the statement of net assets. The operating statements present increases (revenues) and decreases (expenses) in net total assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes available if they are collected within sixty (60) days of the end of the current fiscal period. A one hundred twenty (120) day availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, investment income and intergovernmental revenues. Sales taxes collected and held by the State at year end on behalf of the City are also recognized as revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu-of taxes, payments for use of rights-of-way, and other charges between the City's electric, water, wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers and applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (where applicable). Pursuant to GASB Statement No. 20, the City has elected to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989 to the extent they do not conflict with or contradict GASB pronouncements. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

1. – (Continued)

Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds and the permanent funds. Capital project fund expenditures are effectively controlled through bond indenture provisions. Permanent funds are controlled by the trust agreements which established the funds. All unexpended appropriations lapse at fiscal year end.

The City Charter establishes the City's fiscal year as the twelve-month period beginning October 1. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City's departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year. Prior to September 1, the City Manager submits to the City Council a proposed operating budget of estimated expenditures and revenues.

Upon receipt of the budget estimate the City Council publishes notice of and conducts public hearings on the proposed budget to obtain citizen comment. Prior to October 1, the budget is legally enacted through passage of the Appropriations Ordinance.

The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Budgeted amounts are as originally adopted, or as amended in accordance with the annual appropriations ordinance. Individual amendments were not material in relation to the original appropriations that were adopted.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders and contracts) outstanding at fiscal year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored in the subsequent year.

Cash and Investments

Cash for all funds, including restricted cash, but excluding fiduciary fund cash, is pooled into common accounts in order to maximize investment opportunities. Each fund participating in the pools has an equity interest therein. Investment earnings on these monies are allocated based upon relative equity at month end. An individual fund's pooled cash and investments are available upon demand. Negative balances incurred in pooled cash at fiscal year end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

Marketable securities with an original maturity of three months or less are considered to be cash equivalents.

All funds are recorded at fair value based upon quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

1. – (Continued)

Inventories

All inventories are valued at average cost which approximates market value. Inventories owned by the Enterprise and Internal Service Funds are accounted for using the consumption method (an expense is recorded when the inventory item is used).

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of both Governmental and Proprietary Funds.

The City allocates to the Proprietary funds a percentage of indirect costs incurred to provide general and administrative support services to those funds that are paid through the General Fund.

Capital Assets

Capital assets, which includes property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. To the extent the construction is performed by the City, the cost includes payroll and related costs and certain general and administrative expenses. Interest is not capitalized in these accounts because interest is recovered concurrently in the proprietary fund rate structure. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life.

Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated service lives:

	<u>Estimated Service Lives</u>
Buildings	20 - 40 years
Water and wastewater systems	40 years
Electric system	20 - 30 years
Electric generating and related equipment	20 - 40 years
Infrastructure	10 - 30 years
Improvements	20 years
Machinery and equipment	5 - 20 years
Vehicles	4 - 5 years

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

1. – (Continued)

Bond Issuance Expenses

Bond issuance expenses are amortized on a straight-line basis over the period of the related maturities, which approximates the interest method.

Fuel Recovery

The City is allowed to recover fuel and purchased power costs through fuel charges to its electric customers. The City defers and accrues any under/over recovered fuel and purchased power costs in excess of the fuel charges until such costs are reflected in billings to customers. This fuel recovery allows for the pass-through of fuel costs to customers and has no impact on net income.

Compensated Absences

The City's policy in effect during Fiscal Year 2005 allows employees to earn vacation pay at rates of 10 to 20 days per year and to accumulate up to a maximum of 10 to 20 days, depending on their length of employment. Classified employees in the police and fire departments earn vacation at the rate of 15 days per year in accordance with Texas Local Government Code, Chapter 143, until the employee reaches 15 years employment at which time the rate of accrual becomes the same rate as that for other city employees. Upon termination, employees with a minimum of one year employment are paid for any unused vacation.

City employees earn sick leave at a rate of 10 days per year and are permitted to accrue a maximum of 120 days. Classified employees in the police and fire departments earn sick pay at the rate of 15 days per year in accordance with Texas Local Government Code, Chapter 143, with unlimited accumulation. Upon termination, classified police and fire department employees are paid for any unused sick leave up to a maximum of 90 days. Non-classified employees are paid for accumulated sick leave up to a maximum of 240 hours upon termination dependent upon leaving in good standing and being continuously employed for a minimum of twelve months in a regular position.

The City accrues vacation and sick pay when the liability is incurred. Amounts related to governmental fund types are reported in the government-wide financial statements. The liabilities of the governmental fund types are typically liquidated by the General fund and Community Development fund. All amounts related to proprietary fund types are recorded within those funds.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, increased by unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Implementation of New Accounting Principles

In fiscal year 2002, the City implemented GASB Statement No. 34 ("GASB 34"), "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments." GASB 34 includes certain transition treatments with regard to infrastructure. The City has elected to utilize these transition options and has capitalized the major infrastructure networks completed since the implementation of GASB 34. The other infrastructure networks: streets, drainage basins and parks

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

1. – (Continued)

will be capitalized in future years, once the task of determining estimated historical cost is complete. Had the entire infrastructure networks been capitalized, net assets would be higher.

In fiscal year 2005, the City implemented GASB Statement No. 40 ("GASB 40"), "Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3." This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and modifies the disclosure requirements previously set forth in GASB Statement No. 3. These more comprehensive disclosure requirements are included in Note 2 – Deposits and Investments.

2. DEPOSITS AND INVESTMENTS

Deposits

State statutes require that all deposits in financial institutions be fully collateralized with depository insurance or by U.S. Government obligations or its agencies and instrumentalities; or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. At year-end, the City's demand deposits at The First National Bank of Bryan were entirely covered by federal depository insurance or by collateral held by the City's custodial bank (JPMorgan Chase Bank) in the City's name. At year-end, the carrying amount of the City's demand deposits was \$27,293,649 and the bank balance was \$29,102,068.

Investments

The City's investment program is guided by State statutes, by various City ordinances and by the City's investment policy which amplifies those guidelines and prescribes how the City will operate its investment program in accordance with applicable laws and regulations. This policy further sets forth (1) the basic principles governing the investment of City funds; (2) the objectives of the City's investment program; and (3) the authority, responsibilities, limitations, documentation and requirements to be used in the administration and operation of the City's investment program.

Investments authorized by the investment policy are those approved by the revised State of Texas Public Funds Investment Act of 1997 and the Texas Public Funds Collateral Act of 1989. These investments include the following:

- a. Obligations of the United States or its agencies and instrumentalities;
- b. Direct obligations of the State of Texas or its agencies;
- c. Other obligations, the principal of and interest on which is unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities;
- d. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
- e. Certificates of deposit issued by state and national banks domiciled in Texas that are secured by obligations qualified as acceptable collateral;
- f. Certificates of deposit issued by savings and loan associations domiciled in Texas that are secured by obligations qualified as acceptable collateral;
- g. Prime domestic bankers' acceptances;

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

2. – (Continued)

- h. Commercial paper with a stated maturity of 270 days or less from the date of issuance that is rated not less than A-1, P-1 or its equivalent;
- i. Fully collateralized repurchase agreements having a defined termination date, secured by qualified obligations, pledged with a third party, and placed through a primary government securities dealer as defined by the Federal Reserve, or a bank domiciled in Texas;
- j. Money-market mutual funds that are SEC registered no-load funds with dollar-weighted average portfolio maturity of 120 days or less;
- k. Public funds investment pools.

The City's investment policy prohibits the substitution of collateral on repurchase agreements without prior approval of the City. Also, reverse repurchase agreements are prohibited by the policy.

At September 30, 2005, the fair market value of the City's portfolio is as follows:

	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Wgt. Avg. Maturity</u>	<u>Credit Risk</u>
U. S. Agencies and Instrumentalities	\$ 71,037,807	59.97%	173 days	AAA
Certificates of Deposit	61,050	0.05%	(1)	(2)
Investments in Government Pools	<u>47,360,693</u>	<u>39.98%</u>	(1)	AAAm
Total Investments	<u>\$ 118,459,550</u>	<u>100.00%</u>		

Credit ratings are assigned by Standard & Poors or Moody's Investor Service.

(1) On a weighted average basis, less than one day.

(2) Covered by FDIC insurance.

The City's investment in government pools includes the deposits in TexPool, TexSTAR, and TexasDAILY. "TexPool" is a local government investment pool created and managed by the Texas State Treasurer to invest funds on behalf of Texas political subdivisions. "TexSTAR" is a local government investment pool created and jointly managed by First Southwest Asset Management, Inc. and JPMorgan Chase Bank to invest funds on behalf of Texas political subdivisions. The "TexasTERM" local government investment pool was created by Texas local governments and is managed by Public Financial Management, Inc. to invest funds on behalf of Texas political subdivisions in one of two investment portfolio options including "TexasTERM" which allows participants to obtain a fixed-rate of interest for investments of 60 days to one year and "TexasDAILY" an overnight fund. TexPool, TexSTAR, and TexasDAILY operate on a \$1.00 net asset value basis and allow same day or next day redemptions and deposits. Interest is allocated daily based on portfolio earnings and participant account balances. The City's investment in TexPool, TexSTAR, and TexasDAILY is stated at cost, which approximates fair value. The fair value of the City's investment is the same as the value of the pool shares. These pools are not managed by the City and the City does not possess securities that exist in either physical or book entry form.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

2. – (Continued)

Under the Texas Public Funds Investment Act, government investment pools must maintain an AAA or equivalent rating from at least one nationally recognized rating agency. TexPool, TexSTAR, and TexasDAILY are currently rated AAAM by Standard and Poor's.

The revenue bond ordinances require disclosure of the investments held by the reserve fund. Sufficient investments exist in the pool to adequately meet reserve fund requirements. A detailed list of those securities is available in the office of the Chief Financial Officer.

Custodial Risk – City deposits in excess of the \$100,000 amount covered by the Federal Depository Insurance Corporation ("FDIC") must be secured by authorized securities with a market value equal to or greater than 105% of the total deposits. At September 30, 2005, all City deposits were insured or adequately collateralized.

Interest Rate Risk – As of September 30, 2005, the City minimized the risk associated with the decline in market value of securities due to rising interest rates (interest rate risk) by maintaining a "buy and hold" strategy whereby investment securities are purchased with the intent to hold the securities in the portfolio until maturity. Additionally, the City's Investment Policy limits the weighted average maturity of all securities and Certificates of Deposit in the City's portfolio to no more than three years at any given time. The City's investment strategy acts to reduce interest rate risk through investing funds to meet cash flow requirements; monitoring the credit ratings of portfolio investments to assure compliance with the Investment Policy and the Texas Public Funds Investment Act; and investing in a diversified portfolio of assets including obligations of the United States and its agencies and instrumentalities, money market mutual funds, and government investment pools.

Credit Risk and Concentration of Credit Risk – In compliance with the City's Investment Policy and the Texas Public Funds Investment Act, the City managed credit risk through portfolio diversification by limiting investments to avoid over concentration in securities from a specific issuer; limiting investments in securities with high credit risk; and investing in securities with varying maturities. The City has established the following standards for the portfolio: at all times, at least ten (10) percent of the total portfolio shall be invested in securities maturing in 90 days or less; investments in any single money market fund shall never exceed ten (10) percent of the total assets of the money market fund; no more than 75% of the City's portfolio shall be invested in Federal Agencies and Instrumentalities; and no more than 50% of the portfolio shall be invested in certificates of deposit. At September 30, 2005, 59.97% of the City's portfolio was invested in U.S. Agencies and Instrumentalities including 29.79% in Federal Home Loan Bank securities, 14.23% in Federal National Mortgage Association securities, and 12.02% in Federal Home Loan Mortgage Corporation securities. Almost 50% of the City's portfolio will mature in 90-days or less including all monies in government investment pools which are considered overnight investments.

Foreign Currency Risk – By virtue of the City's Investment Policy and the Texas Public Funds Investment Act, the City is not exposed to foreign currency risk because the City is not authorized to maintain deposits or investments denominated in a foreign currency.

3. PROPERTY TAXES

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

3. – (Continued)

Taxes are due on October 1, and are delinquent after the following January 31. Tax liens are automatic and become enforceable as of January 1 of each year. Taxes become delinquent February 1 and are subject to interest and penalty charges. The tax rate to finance general governmental services including debt service was 63.64 cents per \$100 of assessed valuation for the year ended September 30, 2005. Under provisions adopted by the City, the maximum tax rate is limited to \$1.50 per \$100 of assessed valuation.

The Brazos County Appraisal District ("Appraisal District") is responsible for the recording and appraisal of property for all taxing units in the County. The Appraisal District is required to assess property at 100% of its appraised value. Real property must be reappraised at least every three years. The City may, at its own expense, require annual reviews by the Appraisal District through various appeals and, if necessary, legal action. Under this system, if the rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

Brazos County bills and collects the property taxes of the City.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 follows:

	Balance October 1	Additions / Completions	Retirements / Adjustments	Balance September 30
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 3,227,319	\$ 317,618		\$ 3,544,937
Construction in Progress	25,031,550	9,545,265	\$ (6,366,787)	28,210,028
Total capital assets not being depreciated	28,258,869	9,862,883	(6,366,787)	31,754,965
Capital assets, being depreciated				
Buildings	17,831,621	525,603		18,357,224
Equipment	16,992,140	1,801,311	(1,354,707)	17,438,744
Improvements	25,049,436	3,928,516		28,977,952
Infrastructure	15,183,801	10,902,900		26,086,701
Total capital assets being depreciated	75,056,998	17,158,330	(1,354,707)	90,860,621
Less accumulated depreciation for:				
Buildings	(8,281,722)	(488,875)		(8,770,597)
Equipment	(12,271,458)	(1,327,229)	1,354,707	(12,243,980)
Improvements	(9,633,634)	(1,191,259)		(10,824,893)
Infrastructure	(814,318)	(761,604)		(1,575,922)
Total accumulated depreciation	(31,001,132)	(3,768,967)	1,354,707	(33,415,392)
Total capital assets, being depreciated, net	44,055,866	13,389,363	-	57,445,229
Governmental activities capital assets, net	\$ 72,314,735	\$ 23,252,246	\$ (6,366,787)	\$ 89,200,194
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 7,580,631	\$ 2,040,918	\$ (2,027,766)	\$ 7,593,783
Construction In Progress	21,252,870	30,262,130	(12,961,661)	38,553,339
	28,833,501	32,303,048	(14,989,427)	46,147,122
Capital assets, being depreciated				
Buildings	2,358,751	156,167		2,514,918
Equipment	10,718,546	1,248,463	(717,896)	11,249,113
Improvements	331,649,819	18,707,205	(909,301)	349,447,723
Total capital assets being depreciated	344,727,116	20,111,835	(1,627,197)	363,211,754
Less accumulated depreciation for:				
Buildings	(328,957)	(207,225)		(536,182)
Equipment	(7,988,149)	(737,912)	713,110	(8,012,951)
Improvements	(141,590,434)	(9,913,167)	909,310	(150,594,291)
Total accumulated depreciation	(149,907,540)	(10,858,304)	1,622,420	(159,143,424)
Total capital assets, being depreciated, net	194,819,576	9,253,531	(4,777)	204,068,330
Business-type activities capital assets, net	\$ 223,653,077	\$ 41,556,579	\$ (14,994,204)	\$ 250,215,452

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

4. – (Continued)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 818,681
Development services	362,450
Public works services	967,556
Public safety	654,713
Cultural and recreational	965,567
Business-type activities:	
Electric	6,022,662
Rural Electric	986,245
Water	1,169,260
Wastewater	1,832,687
Other Enterprise Funds	872,374
	<u>\$ 14,652,195</u>

The City has active construction projects as of September 30, 2005. Total accumulated commitments for ongoing capital projects are composed of the following:

	<u>Committed</u>
Street improvements	\$ 3,007,414
Drainage improvements	254,039
Tax Increment Reinvestment Zone #10	
- public infrastructure improvements	922,612
Public Safety improvements	46,485
Justice Center	647,785
Water system improvements	2,237,990
Wastewater system improvements	1,546,196
Total	<u>\$ 8,662,521</u>

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

5. LONG-TERM DEBT

The following is a summary of long-term debt transactions (except vacation and sick pay and claims and judgments) for the year ended September 30, 2005:

	Beginning Balance	Issued	Matured/ Refunded	Ending Balance	Due within one year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,618,691		\$ 836,411	\$ 1,782,280	\$ 734,283
Certificates of Obligation	65,903,437		2,048,437	63,855,000	2,753,125
Notes Payable	4,045,000		260,000	3,785,000	275,000
Total governmental fund types	<u>72,567,128</u>	<u>-</u>	<u>3,144,848</u>	<u>69,422,280</u>	<u>3,762,408</u>
<u>Business-type Activities:</u>					
General Obligation Bonds	278,354		135,634	142,720	90,717
Certificates of Obligation	46,563		1,563	45,000	1,875
Electric System Revenue Bonds	6,410,000	\$ 13,375,000	360,000	19,425,000	835,000
Water and Sewer System Revenue Bonds	60,395,000		2,490,000	57,905,000	2,805,000
Notes Payable	1,720,470	24,588	435,479	1,309,579	433,024
Total proprietary fund types	<u>68,850,387</u>	<u>13,399,588</u>	<u>3,422,676</u>	<u>78,827,299</u>	<u>4,165,616</u>
Total long-term debt	<u>\$ 141,417,515</u>	<u>\$ 13,399,588</u>	<u>\$ 6,567,524</u>	<u>\$ 148,249,579</u>	<u>\$ 7,928,024</u>

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

5. – (Continued)

Long-term debt at September 30, 2005 consists of bonds, certificates of obligation, and notes maturing serially and is summarized as follows:

<u>Issue</u>	<u>Interest Rates (%)</u>	<u>Series Matures</u>	<u>Governmental</u>	<u>Business- type</u>	<u>Total</u>
<u>General Obligation Bonds:</u>					
Series 1997	5.00 - 8.00	2018	\$ 690,000		\$ 690,000
Refunding, Series 2001	3.20 - 4.00	2009	1,092,280	\$ 142,720	1,235,000
Total General Obligation Bonds			<u>1,782,280</u>	<u>142,720</u>	<u>1,925,000</u>
<u>Certificates of Obligation:</u>					
Combination Tax & Revenue, Series 1997	5.20 - 7.20	2016	2,365,000		2,365,000
Combination Tax & Revenue, Series 1998	3.85 - 4.85	2018	1,800,000		1,800,000
Combination Tax & Tax Increment Revenue, Series 1999	5.25 - 6.75	2020	2,070,000		2,070,000
Combination Tax & Surplus Utility System Revenue, Series 1999	5.50 - 7.00	2020	1,015,000		1,015,000
Combination Tax & Surplus Utility System Revenue, Series 2000	4.35 - 5.50	2020	1,345,000		1,345,000
Combination Tax & Surplus Utility System Revenue, Series 2000A	4.50 - 6.00	2025	15,735,000		15,735,000
Combination Tax & Surplus Utility System Revenue, Series 2001	4.35 - 6.50	2021	1,395,000	45,000	1,440,000
Combination Tax & Surplus Waterworks & Sewer System Revenue, Series 2001A	4.10 - 6.00	2021	13,700,000		13,700,000
Combination Tax & Surplus Utility System Revenue, Series 2003	4.00 - 4.60	2024	9,700,000		9,700,000
Combination Tax & Revenue, Series 2004	2.50 - 4.75	2025	14,730,000		14,730,000
Total Certificates of Obligation			<u>63,855,000</u>	<u>45,000</u>	<u>63,900,000</u>
<u>Revenue Bonds:</u>					
Electric System Refunding, Series 2001	4.00 - 5.00	2019		6,050,000	6,050,000
Water and Sewer System Refunding and Improvement, Series 2001	3.00 - 5.50	2022		49,930,000	49,930,000
Water and Sewer System Revenue, Series 2004	2.50 - 5.00	2030		7,975,000	7,975,000
Electric System Revenue, Series 2005	3.00 - 4.50	2025		13,375,000	13,375,000
Total Revenue Bonds			<u>-</u>	<u>77,330,000</u>	<u>77,330,000</u>
<u>Notes Payable:</u>					
Department of Housing & Urban Development Section 108 Loans	4.00 - 8.60	2009-2018	3,785,000		3,785,000
Bryan Commerce & Development Real Estate Lien	5.00	2008		1,285,714	1,285,714
Bryan Commerce & Development Vehicle Note	5.0	2010		23,865	23,865
Total Notes			<u>3,785,000</u>	<u>1,309,579</u>	<u>5,094,579</u>
Total long-term debt			<u>\$ 69,422,280</u>	<u>\$ 78,827,299</u>	<u>\$ 148,249,579</u>

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

5. – (Continued)

Debt service requirements to maturity for all bonds, certificates of obligation, contractual obligations and notes payable are summarized as follows:

General Obligation Bonds

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 734,283	\$ 61,053	\$ 90,717	\$ 3,600	\$ 889,653
2007	168,243	44,530	16,757	1,703	231,233
2008	177,666	37,445	17,334	1,055	233,500
2009	182,088	29,867	17,912	358	230,225
2010	45,000	24,875			69,875
2011-2015	275,000	85,875			360,875
2016-2018	200,000	15,250			215,250
Total	<u>\$ 1,782,280</u>	<u>\$ 298,895</u>	<u>\$ 142,720</u>	<u>\$ 6,716</u>	<u>\$ 2,230,611</u>

Certificates of Obligation

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 2,753,125	\$ 3,062,610	\$ 1,875	\$ 2,247	\$ 5,819,857
2007	2,873,125	2,936,923	1,875	2,135	5,814,058
2008	3,002,969	2,804,918	2,031	2,022	5,811,940
2009	2,742,969	2,672,423	2,031	1,903	5,419,326
2010	2,872,656	2,556,721	2,344	1,812	5,433,533
2011-2015	16,556,406	10,707,771	13,594	7,363	27,285,134
2016-2020	19,147,812	6,427,501	17,187	3,745	25,596,245
2021-2025	13,905,938	1,968,432	4,063	208	15,878,641
Total	<u>\$ 63,855,000</u>	<u>\$ 33,137,299</u>	<u>\$ 45,000</u>	<u>\$ 21,435</u>	<u>\$ 97,058,734</u>

Revenue Bonds

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006			\$ 3,640,000	\$ 3,828,663	\$ 7,468,663
2007			3,805,000	3,664,488	7,469,488
2008			3,985,000	3,485,413	7,470,413
2009			4,175,000	3,295,613	7,470,613
2010			4,390,000	3,087,763	7,477,763
2011-2015			21,325,000	12,141,598	33,466,598
2016-2020			21,440,000	6,694,385	28,134,385
2021-2025			12,225,000	1,917,954	14,142,954
2025-2030			2,345,000	363,000	2,708,000
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,330,000</u>	<u>\$ 38,478,877</u>	<u>\$ 115,808,877</u>

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

5. – (Continued)

Notes

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 275,000	\$ 242,455	\$ 433,024	\$ 65,412	\$ 1,015,891
2007	300,000	226,678	433,255	43,751	1,003,684
2008	330,000	209,131	433,496	22,082	994,709
2009	365,000	189,348	5,182	396	559,926
2010	215,000	167,089	4,622	26	386,737
2011-2015	1,355,000	593,570			1,948,570
2016-2018	945,000	127,914			1,072,914
Total	<u>\$ 3,785,000</u>	<u>\$ 1,756,185</u>	<u>\$ 1,309,579</u>	<u>\$ 131,667</u>	<u>\$ 6,982,431</u>

Total Long Term Debt

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 3,762,408	\$ 3,366,118	\$ 4,165,616	\$ 3,899,922	\$ 15,194,064
2007	3,341,368	3,208,131	4,256,887	3,712,077	14,518,463
2008	3,510,635	3,051,494	4,437,861	3,510,572	14,510,562
2009	3,290,057	2,891,638	4,200,125	3,298,270	13,680,090
2010	3,132,656	2,748,685	4,396,966	3,089,601	13,367,908
2011-2015	18,186,406	11,387,216	21,338,594	12,148,961	63,061,177
2016-2020	20,292,812	6,570,665	21,457,187	6,698,130	55,018,794
2021-2025	13,905,938	1,968,432	12,229,063	1,918,162	30,021,595
2025-2030	-	-	2,345,000	363,000	2,708,000
Total	<u>\$ 69,422,280</u>	<u>\$ 35,192,379</u>	<u>\$ 78,827,299</u>	<u>\$ 38,638,695</u>	<u>\$ 222,080,653</u>

On March 15, 2005, the City issued \$13,375,000 in Electric System Revenue Bonds, New Series 2005. After the payment of issuance costs, the proceeds will be used to finance the construction of electric transmission and distribution facilities.

On August 19, 2005, Bryan Commerce and Development entered into a loan agreement with the First National Bank of Bryan in the principal amount of \$24,588 for the purchase of a vehicle. The loan will be repaid in sixty (60) monthly installments of \$465. The rate of interest on the loan is a fixed 5.00%.

Changes in the accrual for unpaid vacation and sick pay are detailed below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning balance	\$ 3,476,646	\$ 734,698	\$ 4,211,344
Plus additions	1,768,319	761,523	2,529,842
Less payments	(1,507,786)	(650,861)	(2,158,647)
Ending balance	<u>\$ 3,737,179</u>	<u>\$ 845,360</u>	<u>\$ 4,582,539</u>
Amount due in one year	\$ 1,503,665	\$ 662,047	\$ 2,165,712
Amount due in over one year	\$ 2,233,514	\$ 183,313	\$ 2,416,827

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

5. – (Continued)

Certain outstanding bonds may be redeemed at par plus accrued interest prior to their maturities in accordance with provisions of the various bond orders.

The net revenues of the Electric System, Rural Electric System, Water and Wastewater Systems are pledged for the payment of each funds' respective revenue bonds. Net revenues, as defined by the various revenue bond ordinances, include substantially all of the revenues and expenses of each respective system other than certain interest income and expense and depreciation and amortization. These bond ordinances further require that the net revenues as defined equal at least 1.10 times the average annual debt service on all outstanding Electric System revenue bonds, and 1.25 times the average annual debt service on all outstanding Rural Electric, Water and Wastewater System revenue bonds.

The ordinance authorizing the Electric System revenue bonds stipulates that the City will deposit certain amounts into a reserve fund until the balance of such fund equals \$1,654,925. Amounts in the Electric reserve funds at September 30, 2005 are in compliance with the bond ordinances.

The ordinance authorizing the Waterworks and Sewer System revenue bonds stipulates that the City will deposit certain amounts into a reserve fund for the purpose of retiring the last of the bonds as they become due or to pay principal of and interest on the outstanding bonds if necessary. The ordinance also allows the City to replace or substitute a credit facility for cash or investments on deposit in the reserve fund. The City has exercised the option to replace the reserve fund requirement with a surety bond.

The City reserves the right at any time to merge its municipal electric light and power system ("Electric Fund") and its Rural Electric Division ("Rural Electric Fund") into a single operating electric utility system. The merger of the Rural Electric Division would not have an adverse impact on the bondholders.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. As provided for by the bond ordinances, this amount has been recorded as a liability in the Proprietary funds for the benefit of the federal government and will be paid as required by applicable regulations.

6. PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain outstanding general obligation bonds, certificates of obligation and revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

The following schedule summarizes the outstanding bonds which are considered defeased at September 30, 2005:

Utility System Revenue Bonds	\$ 12,270,000
General Obligation Bonds	
Serviced by Utility Funds	270,000
Total	<u>\$ 12,540,000</u>

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

7. BONDS AVAILABLE FOR SALE

Authorized general obligation bonds available for future issue are as follows:

	<u>Year Authorized</u>	<u>Unissued Amount</u>
Streets	1984	\$ 8,225,000
Parks and Recreation Facilities	1984	1,775,000
Railroad Grade Separation	1984	2,850,000
Sanitary Landfill	1984	200,000
Total		<u>\$ 13,050,000</u>

During the fiscal year 1984, the City Council voted to comply with the option provided by state law that does not require voter approval on revenue bonds prior to issuance.

8. RESERVATIONS/DESIGNATIONS OF FUND BALANCES AND NET ASSETS

Fund balances have been reserved or designated at September 30, 2005 as follows:

	<u>Reserved</u>	<u>Designated</u>
<u>Governmental Activities</u>		
General Fund:		
Reserved for encumbrances	\$ 1,563,098	
Reserved for noncurrent notes receivable	51,362	
Reserved for court activities	211,545	
Reserved for police activities	24,107	
Designated for capital improvements		\$ 5,294,441
Designated for library		288,243
Designated for park use		280,696
Designated for golf course improvements		68,767
Designated for public information program		25,726
Designated for record preservation		6,382
Debt Service Fund:		
Reserved for bond debt service	742,870	
Nonmajor Governmental Funds:		
Reserved for capital improvements	19,883,372	
Reserved for encumbrances	5,883,564	
Reserved for court technology	130,379	
Reserved for perpetual care	527,369	
Total	<u>\$ 29,017,666</u>	<u>\$ 5,964,255</u>

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

8. – (Continued)

Net assets have been restricted at September 30, 2005 as follows:

<u>Business-type activities</u>	<u>Restricted for:</u>				<u>Total</u>
	<u>Rate</u> <u>Stabilization</u>	<u>Bond</u> <u>Retirement</u>	<u>Debt</u> <u>Service</u>	<u>Rate</u> <u>Litigation</u>	
Electric	\$ 39,840,760	\$ 1,654,925	\$ 208,737	\$ 6,336,495	\$ 48,040,917
Water			341,463		341,463
Wastewater			359,682		359,682
Total	<u>\$ 39,840,760</u>	<u>\$ 1,654,925</u>	<u>\$ 909,882</u>	<u>\$ 6,336,495</u>	<u>\$ 48,742,062</u>

9. RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percentage had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

9. – (Continued)

rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2004 valuation is effective for rates beginning January 2006).

Actuarial assumptions are as follows:

Actuarial valuation date	<u>12/31/2002</u>	<u>12/31/2003</u>	<u>12/31/2004</u>
Actuarial cost method	-----Unit Credit-----		
Amortization method	-----Level Percentage of Payroll-----		
Remaining amortization period	-----25 years - open-----		
Asset valuation method	-----Amortized cost-----		
Actuarial assumptions:			
Investment rate of return	8.0%	7.0%	7.0%
Projected salary increases	0.0%	0.0%	0.0%
Included inflation rate	0.0%	0.0%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Net Pension Obligation (NPO) at the Beginning of Period

\$ -

Annual Pension Cost:

Annual Required Contribution (ARC) \$ 4,497,286

Interest on NPO -

Adjustment to ARC - \$ 4,497,286

Contributions Made 4,497,286

Increase in NPO -

NPO at the End of the Period \$ -

Historical data is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation at September 30</u>
09/30/03	\$ 3,972,564	100.00%	-
09/30/04	4,051,848	100.00%	-
09/30/05	4,497,286	100.00%	-

The City of Bryan is one of 801 municipalities having their benefit plan administered by TMRS. Each of the 801 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2004 valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Additional supplementary three-year trend information may be found on page 67.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

10. TEXAS MUNICIPAL POWER AGENCY

The Texas Municipal Power Agency ("TMPA") was created in July 1975 by concurrent ordinances of the Texas cities of Bryan, Denton, Garland, and Greenville ("Cities") pursuant to Acts 1995 64th Leg. Ch 143, sec 1 (the "Act"). Under the provisions of the Act, TMPA is a separate municipal corporation. TMPA is exempt from federal income tax under section 115 of the Internal Revenue code.

In September 1976, TMPA entered into identical Power Sales Contracts (the "Contract") with each of the Cities for the purpose of obtaining the economic advantages of jointly financing, constructing and operating large electric generating units and related facilities to supply the Cities' future energy needs. Under the Contract, the Cities are required to pay, for the benefits received or to be received by them from such activities, an amount sufficient to pay TMPA's operating and maintenance expenses and the Bond Fund, Reserve Fund and Contingency Fund requirements of the Revenue Bond Resolutions ("Resolutions"). In addition, the Cities are obligated to guarantee the payment of TMPA's bonds (the "Debt Service Guarantee").

As originally written in September 1976, the Contract was a requirements contract, which obligated the Cities, with certain exceptions, to purchase their wholesale electricity requirements from TMPA. On November 5, 1997, the Contract was amended. Under the amendment, the Contract was converted from a requirements contract to a take-or-pay contract, under which each City is obligated to take or pay for a specified percentage of electricity from TMPA's generating facility. Currently, those percentages are Bryan 21.7%; Denton 21.3%; Garland 47%; and Greenville 10%. The amendment confirmed the Cities' obligations, explained above, to pay all costs of TMPA. The Debt Service Guarantee, contained in the Contract since September 1976, was not changed by the amendment. Concurrently with the execution of the amendment on November 5, 1997, a Travis County District Court validated the Contract as amended and confirmed the authority of TMPA to enter into the amendment.

TMPA operates the Gibbons Creek Steam Electric Station ("Gibbons Creek"), a coal-fired generating plant located in Grimes County, Texas with a net generating capability of 462 MW. The plant began commercial operation October 1, 1983.

The TMPA's Comprehensive Annual Financial Report for the year ended September 30, 2005 reported the following:

	2005
	(Amounts in Thousands)
Total Assets	\$1,284,353
Total Liabilities	1,249,909
Total Accumulated Excess Revenues	<u>\$ 34,444</u>
Change in Accumulated Excess Revenues for year ended September 30, 2005	\$ 133

TMPA's audited financial statements may be obtained by writing TMPA, P.O. Box 7000, Bryan, TX 77805.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

11. BRAZOS VALLEY SOLID WASTE MANAGEMENT AGENCY

In May 1990, the cities of Bryan and College Station (the "Cities") created the Brazos Valley Solid Waste Management Agency ("BVSWM") to serve as the vehicle for management of solid waste for both cities. Each city holds a 50% interest and ownership in BVSWM.

BVSWM is governed by an Administrative Board of Trustees comprised of the city manager and a staff person from each city; in addition, the mayors of each city serve alternating two-year terms on the board. The board has complete responsibility for the daily operating activities of BVSWM. After board approval, the BVSWM annual budget is presented for approval by the cities as a part of their regular budget process.

The cities have transferred assets in the form of cash, property permitted for landfill use, and landfill equipment to BVSWM. BVSWM has recorded contributed capital and/or liability to each of the cities for the appraised value of the transferred assets.

BVSWM's audited annual financial statements for the year ended September 30, 2005 reported the following:

	<u>2005</u>
Total Assets	\$ 17,664,845
Total Liabilities	<u>3,251,142</u>
Total Net Assets	<u>\$ 14,413,703</u>
Change in net assets for the year ended September 30, 2005	\$ (182,062)
Bryan's 50% share of change in net assets for the year ended September 30, 2005	\$ (91,031)

Audited financial statements for BVSWM may be obtained by writing BVSMA, P.O. Box 9973, College Station, TX 77842.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

12. INTERFUND BALANCES

Interfund receivable and payable balances at September 30, 2005 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$ 26,589
Nonmajor governmental funds	Electric	35,790
	General	125
Electric	Rural Electric	5,557,958
	Nonmajor enterprise funds	18,765,063
	Nonmajor governmental funds	24,317
Water	Electric	131,045
	General	8,669
	Nonmajor governmental funds	308
Wastewater	Electric	112,089
	General	42,146
	Nonmajor governmental funds	1,281
Nonmajor enterprise funds	Electric	73,093
	General	5,824
Internal service funds	Electric	113,652
	General	6
	Nonmajor governmental funds	13,981
Total		<u>\$ 24,911,936</u>

Interfund receivable and payable balances result from the time lag between the dates that: interfund goods and services are provided or reimbursable expenditures occur; transactions are recorded in the accounting system; and payments between funds are made. The interfund balances presented agree with the sum of interfund balances in the statements of net assets for governmental funds and for proprietary funds.

13. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2005 are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>							<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Nonmajor Enterprise Funds</u>	
General Fund		\$ 105,943						\$ 105,943
Nonmajor governmental funds		1,633,647			\$ 1,654,393	\$ 253,165	\$ 514,286	4,055,491
Electric Fund	\$ 5,945,548	184,452						6,130,000
Water Fund	479,416	93,926		\$ 400,000				973,342
Wastewater Fund	575,914	137,560		245,000				958,474
Nonmajor enterprise funds	582,351	10,622	\$ 583,000	240,000				1,415,973
Internal service fund	2,024							2,024
Total transfers out	<u>\$ 7,585,253</u>	<u>\$ 2,166,150</u>	<u>\$ 583,000</u>	<u>\$ 885,000</u>	<u>\$ 1,654,393</u>	<u>\$ 253,165</u>	<u>\$ 514,286</u>	<u>\$ 13,641,247</u>

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

13. – (Continued)

Transfers are primarily used to move funds from:

The proprietary funds to: the General Fund for use of City owned rights-of-way and as payments in lieu of property taxes; the Debt Service Fund as payments in lieu of property taxes; and the Street Improvement Fund to compensate for increased maintenance expenditures created by heavy vehicle traffic by the proprietary fund activities. The Water, Wastewater and Solid Waste Funds to the Electric Fund as payment for billing and collection services provided.

The Tax Increment Reinvestment Zone Funds to the Debt Service Fund and Bryan Commerce and Development, Inc. for debt service payments as they become due.

The sum of all transfers presented agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

14. ADMINISTRATIVE ALLOCATIONS TO OTHER FUNDS

The General Fund provides general and administrative support services to the Electric Fund, Rural Electric Fund, Water Fund, Wastewater Fund, Solid Waste Fund and Insurance Fund. Cost of these services are allocated as follows:

	General Fund	Solid Waste Fund
<u>Administrative costs allocated to:</u>		
Electric Fund	\$ 695,000	
Water Fund	826,665	\$ 92,718
Wastewater Fund	968,666	92,718
Nonmajor enterprise fund (Solid Waste Fund)	578,000	
Internal service fund (Insurance Fund)	145,000	
	<u>\$ 3,213,331</u>	<u>\$ 185,436</u>

15. UNAVAILABLE AND UNEARNED REVENUE

The balance of unavailable and unearned revenues at September 30, 2005 consists of the following:

	Unavailable	Unearned	Totals
Delinquent property taxes receivable (General Fund)	\$ 174,613		\$ 174,613
Delinquent property taxes receivable (Debt Service Fund)	56,093		56,093
Street and drainage assessments receivable (General Fund)	134,869		134,869
Notes receivable (Nonmajor governmental fund)		\$ 57,087	57,087
Total	<u>\$ 365,575</u>	<u>\$ 57,087</u>	<u>\$ 422,662</u>

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

16. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, as amended, is available to all employees, and permits them to defer a portion of their salary until future years. The plan funds are not available to employees until termination, retirement, death, or emergency.

All amounts of compensation deferred under the plan (until paid or made available to the employee or other beneficiary) were placed in trust for the exclusive benefit of the participants and the beneficiaries. This is in accordance with changes made to Section 457 of the Internal Revenue Code. Since the City is no longer the Plan Administrator or the trustee, the assets of the Plan are no longer a reportable fund in the City's basic financial statements.

Similar to the Section 457, the City of Bryan also offers its employees the Retiree Health Savings (RHS) Plan. The plan allows employees to make pre-tax contributions from their salary or accrued leave time to fund medical expenses for employees and their family on a tax-free basis during retirement. Once an employee elects to participate, this cannot ever be changed or revoked unless there is employment separation.

Like the Section 457, all amounts of compensation deferred under the plan (until paid or made available to the employee or other beneficiary) were placed in trust for the exclusive benefit of the participants and the beneficiaries. The City is not the Plan Administrator or the trustee; the assets of the Plan are not a reportable fund in the City's basic financial statements.

17. EMPLOYEE BENEFITS

The City established the Employee Benefits Trust Fund effective October 1, 1986, covering health benefits for eligible employees. At that time the Council approved a formal trust agreement establishing the Fund. Employee premium costs are shared by the City and the employee, while dependent coverage is paid by the employee. The City's contract with its third party administrator and reinsurer sets a stop loss level per participant in the amount of \$125,000 and a maximum aggregate stop loss deductible of \$3,698,568 for the twelve month period which began January 1, 2005 and ends December 31, 2005.

The schedule below represents the changes in claims liabilities for the year:

	2005	2004
Beginning balance unpaid claims	\$ 561,346	\$ 616,930
Incurred claims	3,691,900	3,252,887
Claim payments	(3,683,514)	(3,308,471)
Ending balance unpaid claims	<u>\$ 569,732</u>	<u>\$ 561,346</u>
Amounts due in one year	\$ 569,732	\$ 561,346

18. OTHER POST-EMPLOYMENT BENEFITS

Effective January 1, 1991, by action of the City Council, the City began offering post-retirement health care benefits to employees. Effective January 1, 1993, retiree spouses were granted eligibility for benefits. Dependents were granted eligibility effective January 1, 1994. The retiree is responsible for paying the premiums and coverage can continue for life. Retirees must qualify for service retirement under the City's retirement plan, and must elect to continue coverage immediately upon retirement.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

18. – (Continued)

The City reserves the right to modify premium amounts, to modify eligibility requirements and to modify or discontinue retiree health benefits. Expenses are recognized as retirees submit claims. Retirees are reimbursed at the same levels as active employees. In the year ended September 30, 2005, retirees paid \$219,228 in premiums and \$309,969 in claims were paid for post-retirement health care and administrative charges. As of September 30, 2005, the City has 22 retirees, 13 retiree spouses, 6 retiree families and 5 retirees and child(ren) participating in the health plan, out of the 194 employees eligible to participate upon retirement.

The City also provides health benefits as required by the Federal Government under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). COBRA requires employers that sponsor group health plans to provide continuation of group coverage to employees and their dependents under certain circumstances where coverage would otherwise end. Terminated employees who qualify under COBRA pay premium costs for themselves and dependents.

Expenses are recognized as claims are submitted. COBRA participants are reimbursed at the same levels as active employees. Participants paid premiums of \$30,716 and incurred claims and administrative expenses of \$75,985 in the year ended September 30, 2005. As of September 30, 2005 the City has 7 COBRA participants.

Future year estimated claims for all health plan participants are actuarially determined by the reinsurer. All assets of the Employee Benefits Trust Fund are available for future claim payments for health plan participants.

19. LITIGATION

There are several lawsuits pending in which the City is involved. In the event of an unfavorable outcome in any suit, in management's opinion, a claim against the City would be covered by insurance or funds available in the Insurance Fund and would not materially affect the financial statements of the City.

20. RISK MANAGEMENT

In fiscal year 1989, the City decided not to purchase commercial liability insurance. At that time, the City management believed that it was more economical to manage liability risks internally and set aside assets for the payment of claims in an internal service fund. The "Insurance Fund" was established to service all claims for risk of losses relating to general liability and workers' compensation.

In fiscal year 1994, the City purchased excess liability insurance to reduce its exposure to catastrophic losses. Liability insurance providing a \$5,000,000 limit per occurrence/\$10,000 aggregate limit with a \$250,000 self-insured retention for claims was purchased with coverage effective October 1, 2000. Since its inception in 1989, the City's annual contributions to the Insurance Fund have exceeded claims paid.

All funds of the City participate in the Insurance Fund. The costs of providing claims servicing and claims payment are allocated by charging each fund a "premium" based upon a percentage of the respective fund's estimated current-year payroll and expenses and management's estimate of projected current costs. These charges consider exposure and recent trends in actual claims experience of the City as a whole and make provision for catastrophic losses.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

20. – (Continued)

The Insurance Fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Based upon the most recent actuarial study, the City has recorded the potential liability in the amount of \$1,386,192 for claims that have been incurred but not reported as of September 30, 2005. Because actual claims liabilities depend on such complex factors as changes in legal doctrines and damage awards, the process used in computing liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The schedule below represents the changes in estimated claims liabilities:

	2005	2004
Unpaid claims at beginning of fiscal year	\$ 1,292,095	\$ 1,660,292
Incurred claims	543,085	353,818
Claim payments	(448,988)	(722,015)
Total unpaid claims at end of fiscal year	<u>\$ 1,386,192</u>	<u>\$ 1,292,095</u>
Amounts due in one year	\$ 423,415	\$ 375,464

Texas law limits recovery, under legislatively defined governmental functions, to \$500,000 per occurrence. Claims proceeding from proprietary functions are not so limited.

21. CONDUIT DEBT OBLIGATIONS

On November 15, 1995, the City issued \$15,225,000 lease revenue bonds to provide funding for construction of the Blinn College campus located in Bryan. The campus was leased to the Washington County Junior College District (the "District") which operates and maintains the campus. The bonds constituted a special obligation of the City, payable solely from revenues paid to the City pursuant to a lease and development agreement with the District. The lease was secured by an irrevocable first lien on a pledge of the rent. In July, 2005 the balance of the bonds outstanding in the principal amount of \$10,865,000 was advance refunded with proceeds from the issuance of \$11,815,000 Washington County Junior College District Combined Fee Revenue Bonds, Series 2005. Pursuant to the terms of the original lease agreement, ownership of the campus was transferred to the District.

22. COMMITMENTS AND CONTINGENCIES

Traditions and University Ranch Project

In fiscal year 2000, the City embarked on a major development program for the City's west side encompassing approximately 850 acres. The development will include a golf course, country club and residential development.

In connection with the development program, the City created Bryan Commerce and Development, Incorporated ("Development Company"). The creation and use of the Development Company was essential since the Texas Local Government code limits the power and activities of local governments in respect to non-traditional government activities, specifically regarding the disposition of property.

Tax Increment Reinvestment Zone Ten ("TIRZ Ten") was created by the City to capture the tax increment created by the development. Any such increment is to be used to reimburse the City for public facilities costs and infrastructure in the development.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

22. – (Continued)

In addition, the City entered into various contracts for the purchase of land, development of the residential areas, development of the golf course, country club, and hotel and conference center as described in more detail below:

- (a) In November 1999, the City entered into an agreement with Jordan Community Properties, L.P. (a Texas limited partnership) ("Jordan") for development, marketing, and other services associated with the residential development and the golf course.

Jordan and Development Company formed Bryan/Jordan, L.P. a Texas limited partnership for the purpose of developing the residential development. The partnership interest is as follows:

1%	general partnership interest by Jordan Properties, Inc. or an affiliate thereof
55%	limited partnership interest by Jordan
44%	limited partnership interest by Development Company

Development Company will contribute land to the partnership.

For its service, Jordan was to receive a development fee of 8% of the net sale proceeds from residential lot sales. The balance of the net lot sale proceeds was to be distributed based upon the partnership interest. In certain circumstances, Jordan was also entitled to a brokerage fee and to acquire up to 15 acres of land in the project for "book value".

The City agreed to provide public infrastructure improvements including all major arterial streets, all major utilities including electrical, gas, water, sewer, telephone cable, drainage structures, water delivery systems, street lighting, landscaping of median entryways, all signage for the project, traffic signals, entryway structures, and lighting necessary for the project.

As of September 30, 2005 the City had incurred \$13,695,636 in expenditures for public infrastructure improvements and related costs, and had outstanding engineering and construction contracts in the amount of \$922,612.

- (b) Also in November 1999, the City entered into a Development and Purchase and Sale Agreement with Tradition Golf Club, Inc. ("Traditions") for the design and development of an 18 to 27 hole championship golf course designed by Jack Nicklaus Design Co. and country club facilities.

Under the agreement, the City would convey to Traditions approximately 220 acres of land in the project as an economic development grant and pay for major infrastructure costs.

On February 25, 2003, the City Council approved the assignment of certain rights and responsibilities related to the Traditions project golf course and residential development to Traditions Club by Melrose, LLC. ("Melrose"), a Texas limited liability company.

On March 6, 2003, Bryan Commerce and Development, Inc. conveyed 250.94 acres of land to Melrose for the purpose of constructing the golf course. Melrose has completed golf course construction with proceeds of a promissory note granted by Gold Bank of Oklahoma City, Oklahoma, which holds first lien position on the golf course property.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

22. – (Continued)

Through September 30, 2005, Bryan Commerce and Development, Inc. has conveyed 125.34 acres of land to Melrose for residential development. One hundred forty-five residential lots had been sold with a gross sales price of \$8,522,165. After the payment of fees, commissions and closing costs, Bryan Commerce and Development, Inc. has received \$3,037,626 for its partnership distribution related to the project.

- (c) On September 12, 2000, the City entered into a development agreement with Campus Hotels, LLC (a Wisconsin limited liability company) ("Campus") for the development of a hotel and conference center.

Under this agreement, the City was to contribute approximately 25 acres of land in the project to Campus for the construction of a hotel, villas, and conference center. The City was to contribute \$2,400,000 towards the construction of the conference center. Upon completion of the conference center, Campus would dedicate the conference center to the City and the City would lease the conference center to Campus for \$1 per year.

The City's performance under the agreement was contingent upon Campus' completion of the hotel by the opening date of the golf course. On January 14, 2004, by letter, the City terminated the agreement with Campus Hotels, LLC for the development of a hotel and conference center as part of the Traditions and University Ranch Project.

- (d) On June 13, 2000 the City entered into an agreement with Development Company for the development of TIRZ Ten. Under the agreement, certain contractual obligations originally assumed by the City under the Jordan, Traditions and Campus agreements were assigned to Development Company. The City agreed to provide an \$8,500,000 grant for the purchase of approximately 800 acres of land to be used in the development.

As of September 30, 2005 the City has advanced to Development Company \$4,813,942 for the acquisition of land for the project. Development Company also entered into a loan agreement with Cashion Family Limited Partnership for the acquisition of 417.85 acres of land. The principal amount of the loan totals \$3,000,000 and is payable in seven annual installments of \$428,571 plus accrued interest at 5%. The total projected payout is \$3,598,056. As of September 30, 2005, the balance of principal due on the loan is \$1,285,714.

The estimated total commitment (exclusive of debt service on the certificates of obligation) as of September 30, 2005 is as follows:

Land and associated acquisition costs	\$ 8,411,998
Infrastructure and related costs	<u>17,000,000</u>
	<u>\$ 25,411,998</u>
To be financed as follows:	
Certificates of Obligation, Series 2000A	\$ 17,000,000
Other lawfully available City funds	<u>8,411,998</u>
	<u>\$ 25,411,998</u>

The Certificates of Obligation, Series 2000A which are general obligations of the City, were issued on October 26, 2000 and bear interest rates between 4.5% and 6.00%.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

22. – (Continued)

On August 12, 2002 TAC Realty, Inc. ("TAC") filed a taxpayer's suit requesting a declaratory judgment that the three Agreements violated the Texas Constitution, the Bryan City Charter and public policy. TAC also requested a permanent injunction to restrain the City from any further performance under the Agreements. The suit, styled *TAC Realty, Inc. v. City of Bryan, et al.*, Cause No. 02-001602-CV-272 in the 272nd District Court of Brazos County, Texas, was dismissed on August 28, 2002 when the trial court granted the City's Plea to the Jurisdiction. On November 20, 2003 the 14th Court of Appeals in Houston, Texas reversed and remanded the suit to the District Court, finding that TAC had standing to maintain its lawsuit against the City. On December 30, 2004 the lawsuit styled: *TAC Realty, Inc. v. City of Bryan, et al.*, Cause No. 02-001602-CV-272 was dismissed with prejudice by the 272nd District Court of Brazos County, Texas.

LaSalle Hotel

In 1997, The City entered into an agreement with LaSalle Hotel Ltd ("LaSalle") for the renovation of the historic LaSalle Hotel ("the hotel") in downtown Bryan. As part of the agreement, the City borrowed \$3,200,000 from the U.S. Department of Housing and Urban Development ("HUD") under a Section 108 loan, and subsequently loaned the funds to LaSalle. The City's future Community Development Block Grant Funds are pledged for repayment of the indebtedness. As of September 30, 2005 the balance of the HUD Section 108 loan was \$2,880,000.

In addition to the HUD Section 108 loan, the City was obligated to The First National Bank of Bryan ("Bank") to cure monetary defaults by LaSalle Hotel Ltd. In fiscal year 2001, Bryan Commerce and Development, Inc. ("BCD") purchased the hotel under a Substitute Trustee's Deed, Bill of Sale and Assignment from the Bank for the sum of \$1,212,762. BCD entered into a real estate lien note with the City to fund the transaction.

BCD has contracted with Lane Hospitality to provide management, accounting and marketing services for the hotel.

In fiscal year 2005, the City funded the debt service on the HUD Section 108 loan in the amount of \$303,870.

Decision One Loan Pledge

In 1999, Decision One, a firm which provided software help desk services, established its office in the Park Hudson subdivision, all of which is situated within Tax Increment Reinvestment Zone Number Eight ("TIRZ" Eight). As an incentive, the Bryan/College Station Economic Development Corporation ("EDC") borrowed \$4,000,000 to construct an office facility for use by Decision One. Tax revenues on the captured assessed valuation of TIRZ Eight were pledged to pay the debt service on the EDC construction loan. The City and Brazos County agreed to provide equal shares of funding to meet the EDC's obligation, if the tax revenue was insufficient to pay the debt service on the EDC loan. In 2005, Decision One vacated the office building. On June 8, 2005 the building was sold and the EDC loan was paid in full. The City and Brazos County were each reimbursed for amounts paid toward the EDC construction loan. Each entity received \$457,679 from the building sale proceeds.

In addition to the agreement to meet the EDC's debt obligation on the construction loan, the City pledged a \$4,000,000 certificate of deposit to secure the loan. In July 2004, the terms of the loan were renegotiated, and the loan became secured by a deed of trust on the land and building, an assignment of rents, and by a City of Bryan certificate of deposit in the amount of \$316,598. Upon the sale of the building, all funds previously pledged as security for the loan were returned to the City.

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

23. ACCOUNTS RECEIVABLE

As of September 30, 2005, the receivables not expected to be collected within one year are notes and assessments receivable as follows:

	General Fund	Nonmajor Governmental Fund - Community Development Fund	Total
Notes receivable	\$ 51,362	\$ 57,087	\$ 108,449
Street and drainage assessments	134,869		134,869
	<u>\$ 186,231</u>	<u>\$ 57,087</u>	<u>\$ 243,318</u>

24. RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Below is a reconciliation of the various restricted cash, cash equivalents and investments reported as of September 30, 2005:

Fund	Bond Retirement Reserve	Bond Debt Service	Rate Litigation Reserve	Rate Stabilization Reserve	Customer Deposits Payable	Capital Debt Proceeds	Total
Electric	\$ 1,654,925	\$ 411,516	\$ 6,336,495	\$ 28,757,075	\$ 2,305,366	\$ 5,862,502	\$ 45,327,879
Rural Electric					333,002		333,002
Water		711,591				7,343,762	8,055,353
Wastew ater		744,059				6,576,540	7,320,599
	<u>\$ 1,654,925</u>	<u>\$ 1,867,166</u>	<u>\$ 6,336,495</u>	<u>\$ 28,757,075</u>	<u>\$ 2,638,368</u>	<u>\$ 19,782,804</u>	<u>\$ 61,036,833</u>

The Electric fund rate stabilization reserve requirement as of September 30, 2005 is \$39,840,760. Cash, cash equivalents and investments in the Electric fund were insufficient to fund the reserve requirement. Lower revenues due to mild weather, combined with system expansion costs and high fuel costs resulted in a cash shortfall. Recovery of fuel costs from customers and the issuance of debt to fund additional capital improvements will result in restoring restricted assets to the desired levels over the next two fiscal years.

25. BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended September 30, 2005 the Debt Service fund reported budgetary expenditures in excess of appropriations. The original and final budgeted amounts were based upon historical expenditures. Expenditures of \$28 over budget were due to increases in payments to debt service agent fees on outstanding debt issues. Estimates will be revised in future years.

Governmental Funds	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - (Negative)
Debt Service Fund			
Total expenditures	\$ 6,773,116	\$ 6,773,144	\$ (28)

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

26. TAX INCREMENT FINANCING ZONES

Chapter 311 of the Texas Tax Code allows for the creation of Tax Increment Financing Zones ("TIFZ"). TIFZ are statutory tools available to municipalities in Texas to promote development or redevelopment in an area that would not occur in the foreseeable future solely through private investment. TIFZ are also a means to allow a community to enhance their ability to attract economic development or to allow businesses currently located within their area to expand. Once a city has designated a TIFZ, the governing bodies of the county and school district may choose to participate.

When a TIFZ is formed, a base value for the property located within the TIFZ is established. At the date of creation the appraised value is normally accepted as the base value. As the property within the TIFZ develops, property taxes are collected based upon appreciated appraised values at the rate established annually by the participating entities. Each participant in the TIFZ remits the amount of taxes attributable to the increase in the appraised values to the Tax Increment Financing Zone to be used to fund the project plan. Project plans normally include the creation of infrastructure such as roads, street improvements, water and sewer systems, lighting, landscaping, etc. A TIFZ can be terminated either on the date designated in the ordinance creating the zone, or the date on which all project costs, tax increment debt and associated interest have been paid.

As of September 30, 2005, the City had created two Tax Increment Financing Zones:

Reinvestment Zone Number Eight – Park Hudson represents approximately 450 acres located on the east side of the City of Bryan and has a 20 year term. Brazos County and Bryan Independent School District have entered into inter-local agreements to participate in the TIFZ.

Reinvestment Zone Number Ten – Traditions and University Ranch is approximately 850 acres on the west side of the City and has a term of 25 years. Brazos County has agreed to participate in TIFZ 10 through 2015.

The following schedule is a five year history of relevant data with regard to these TIFZ:

<u>Zone/ Fiscal Year</u>	<u>Base Value</u>	<u>Net Taxable Value</u>	<u>Captured Value</u>	<u>Tax Rate Per \$100 Valuation</u>	<u>Captured Tax Revenue</u>
<u>Park Hudson</u>					
2005	\$ 35,803	\$61,082,989	\$61,047,186	\$ 0.6364	\$ 388,504
2004	35,803	49,998,094	49,962,291	0.6364	317,960
2003	35,803	45,334,403	45,298,600	0.6364	288,280
2002	35,803	35,413,615	35,377,812	0.6364	225,144
2001	35,803	15,512,523	15,476,720	0.6367	98,540
<u>Traditions</u>					
2005	\$637,640	\$ 4,076,325	\$ 3,438,685	\$ 0.6364	\$ 21,884
2004	637,640	653,963	16,323	0.6364	104
2003	637,640	-	-	0.6364	-
2002	637,640	-	-	0.6364	-

CITY OF BRYAN, TEXAS
Notes to the Basic Financial Statements, continued
September 30, 2005

27. TAX ABATEMENTS

Chapter 312 of the Texas Tax Code authorizes the City to provide property tax abatements for limited time periods to encourage development or expansion of property. The terms of each agreement are limited by the guidelines and criteria established by the City Council. At September 30, 2005 the City had established abatement agreements with the following property owners:

Property Owner	Date of Abatement	FY 2005 Appraised Values	FY 2005 Taxable Values	FY 2005 Abated Values	FY 2005 Taxes Levied	FY 2005 Taxes Abated
Betco	2000	\$ 4,197,220	\$ 1,318,852	\$ 2,878,368	\$ 8,393	\$ 18,318
Bryan Lumber	2003	1,467,870	975,357	492,513	6,207	3,134
Coca-Cola	2003	2,297,860	802,268	1,495,592	5,106	9,518
Conoco, Inc.	1996	8,751,810	4,004,472	4,747,338	25,484	30,212
Decision One	2000	5,578,865	3,064,183	2,514,682	19,500	16,003
HyLine International	1999	4,304,075	3,269,132	1,034,943	20,805	6,586
Norton Chemical	1998	8,145,461	7,940,001	205,460	50,530	1,308
Sanderson Farms	1997	8,136,905	995,108	7,141,797	6,333	45,450

28. SUBSEQUENT EVENTS

On December 1, 2005, the City issued \$6,480,000 in Waterworks and Sewer System Revenue Bonds, New Series 2005. After the payment of issuance costs, the proceeds will be used to purchase a debt service reserve fund surety bond, and to finance improvements to the Waterworks and Sewer Systems.

On December 1, 2005, the City issued \$20,195,000 in General Obligation Refunding Bonds, Series 2005. Proceeds from the sale of the bonds will be used to refund \$19,470,000 of the City's outstanding debt in order to lower the overall debt service requirements of the City, and to pay the costs of issuance of the bonds.

On December 1, 2005, the City issued \$15,295,000 in Combination Tax and Revenue Certificates of Obligation, Series 2005. Proceeds from the sale of the certificates will be used to pay the contractual obligations of the City incurred for constructing and effecting street and traffic improvements, including bridges, curbs, gutters, signalization, lighting, utility line relocation and drainage incidental thereto and the acquisition of land and rights-of-way therefore, and to pay the costs of issuance of the certificates.

CITY OF BRYAN, TEXAS
Schedule of Funding Progress
Texas Municipal Retirement System
Last Three Fiscal Years

Actuarial Valuation Date, December 31,	2002	2003	2004
Actuarial Value of Assets *	\$ 71,145,712	\$ 74,564,440	\$ 80,630,073
Actuarial Accrued Liability **	90,755,924	99,513,556	107,409,013
Percentage Funded	78.4%	74.9%	75.1%
Unfunded Actuarial Accrued Liability (UAAL)	19,610,212	24,949,116	26,778,940
Annual Covered Payroll	31,120,401	32,395,169	32,047,255
UAAL as a Percentage of Covered Payroll	63.0%	77.0%	83.6%

* Assets are stated at cost as of December 31 of the preceding year.

** As of December 31 of the preceding year, the date of the actuarial valuation.

CITY OF BRYAN, TEXAS

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 11,006,052	\$ 11,006,052	\$ 11,132,653	\$ 126,601
Sales	10,500,000	10,500,000	11,731,308	1,231,308
Franchise	1,598,107	1,598,107	1,676,744	78,637
Other	139,500	139,500	191,193	51,693
Charges for services:				
Ambulance charges	740,000	740,000	878,727	138,727
Recreational charges	1,441,110	1,441,110	1,328,844	(112,266)
Health and public safety	616,046	621,046	655,577	34,531
Miscellaneous charges	120,660	120,660	122,413	1,753
Fines and court charges:				
Municipal court	1,567,550	1,567,550	1,386,250	(181,300)
Library	30,000	30,000	29,593	(407)
Licenses and permits	484,100	484,100	538,964	54,864
Grants:				
U.S. Department of Criminal Justice	128,000	153,158	185,212	32,054
Texas Engineering Extension Service		206,634	187,050	(19,584)
Texas Attorney General		30,402	27,597	(2,805)
Texas Department of Transportation	432,430		2,995	2,995
Texas Parks & Wildlife	100,000	100,000		(100,000)
Contributions to Library - College Station	659,168	659,168	673,814	14,646
Other	108,000	132,105	124,022	(8,083)
Investment earnings	300,000	300,000	529,972	229,972
Other	190,000	278,522	705,989	427,467
Total revenues	<u>30,160,723</u>	<u>30,108,114</u>	<u>32,108,917</u>	<u>2,000,803</u>
Expenditures:				
Current:				
General government and administration:				
Executive	990,282	990,282	877,401	112,881
City Secretary	1,103,988	1,128,988	982,572	146,416
City Marshal	1,400	1,400	132	1,268
Municipal court	1,007,938	1,007,938	908,321	99,617
Legal services	453,527	453,527	366,164	87,363
Payments to other agencies	1,581,160	1,504,660	887,063	617,597
Fiscal services	985,836	985,836	858,301	127,535
Computer services	1,520,044	1,363,594	1,286,198	77,396
Purchasing services	412,248	412,248	368,071	44,177
Human resources	524,205	524,205	494,258	29,947
Facility services	3,094,718	3,079,918	2,337,470	742,448
Total general government and administration	<u>11,675,346</u>	<u>11,452,596</u>	<u>9,365,951</u>	<u>2,086,645</u>
Development services:				
Planning	547,767	598,973	431,642	167,331
Engineering	1,089,657	1,109,991	1,066,583	43,408
Building	533,676	572,136	538,290	33,846
Total development services	<u>2,171,100</u>	<u>2,281,100</u>	<u>2,036,515</u>	<u>244,585</u>
Public works services:				
Environmental services	22,237	22,237	10,960	11,277
Transportation services	3,135,893	3,089,253	2,706,371	382,882
Total public works services	<u>3,158,130</u>	<u>3,111,490</u>	<u>2,717,331</u>	<u>394,159</u>

continued

CITY OF BRYAN, TEXAS

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual (cont'd)
For the Fiscal Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Police services	10,809,931	11,052,044	11,025,648	26,396
Fire and emergency medical services	7,038,094	7,136,862	7,030,259	106,603
Total public safety	17,848,025	18,188,906	18,055,907	132,999
Cultural and recreational:				
Library services	1,149,568	1,153,982	1,103,538	50,444
College Station library services	686,027	688,502	667,480	21,022
Parks and recreation services	3,333,496	3,348,296	3,264,644	83,652
Total cultural and recreational	5,169,091	5,190,780	5,035,662	155,118
Administrative reimbursement	(3,216,000)	(3,216,000)	(3,213,331)	(2,669)
Capital outlay	2,046,196	4,169,887	3,977,756	192,131
Interest and fiscal charges	94,435	118,341	118,341	
Total expenditures	38,946,323	41,297,100	38,094,132	3,202,968
Excess of expenditures over revenues	(8,785,600)	(11,188,986)	(5,985,215)	5,203,771
Other financing sources (uses):				
Sale of capital assets			206,033	206,033
Transfers in	7,377,640	7,585,253	7,585,253	
Transfers out	(311,509)	(137,603)	(105,943)	31,660
Total other financing sources	7,066,131	7,447,650	7,685,343	237,693
Net change in fund balance	(1,719,469)	(3,741,336)	1,700,128	5,441,464
Fund Balance, October 1, 2004	17,478,848	17,478,848	17,478,848	
Fund Balance, September 30, 2005	<u>\$ 15,759,379</u>	<u>\$ 13,737,512</u>	<u>\$ 19,178,976</u>	<u>\$ 5,441,464</u>



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COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Community Development Fund – To account for Federal grant revenues provided through the Department of Housing and Urban Development for the development of environmental and economic opportunities, principally for persons of low and moderate income.

Hotel and Motel Room Tax Fund – To account for the receipt and expenditure of funds received by the City from the assessment of hotel and motel occupancy tax. Usage of funds is restricted to construction and maintenance of convention and civic facilities, and the promotion of tourism and the arts within the City of Bryan.

Oil and Gas Fund – To account for revenues derived from oil and gas bonuses and royalties received on various properties owned by the City. Use of these funds is primarily restricted to the purchase of capital assets and to street, park, drainage and public facilities maintenance and improvements. Funds received on Utility property and Rural Electric property are restricted for use in each of those respective funds.

Special Projects Fund – To account for litigation proceeds. The funds will be used for special construction projects.

Court Technology Fund – To account for revenues derived from a portion of court fees dedicated to use for technology improvements for Municipal Court functions.

Street Improvement Fund – To account for revenue derived from a fee assessed on utility bills for the purpose of street improvements.

Drainage Improvement Fund – To account for revenue derived from a fee assessed on utility bills for the purpose of drainage improvements.

Tax Increment Reinvestment Zone #8 Fund – To account for revenues derived from captured assessed valuation in, and bond proceeds for, the Park Hudson Tax Increment Reinvestment Zone. Bond proceeds are used for street, water and sewer improvements in the zone. The taxes from the captured assessed valuation will be used to retire the debt and handle other operating expenses within the zone.

Tax Increment Reinvestment Zone #10 Fund – To account for revenues derived from captured assessed valuation in, and bond proceeds for, the Traditions Tax Increment Reinvestment Zone. Bond proceeds are used for various public improvements within the zone. The taxes from the captured assessed valuation will be used to retire the debt and handle other operating expenses within the zone.

Capital Project Funds

Street Improvements Fund – To account for funds to be used for improving and constructing new streets within the City.

2000 Certificates of Obligation Fund – To account for improvements to the Municipal Service Center and acquisition of vehicles and equipment.

2001 Certificates of Obligation Fund – To account for entrance signs, water, wastewater, drainage, lighting, and landscaping improvements within Reinvestment Zone Number #8, the realignment of Pendleton Drive, parking improvements at Coulter Airport, and expenses related to the Justice Center.

2001A Certificates of Obligation Fund – To account for the acquisition of public safety communications equipment, vehicles, computer equipment and other equipment for use by police, fire and administrative departments, improvements to the aquatic center, improvements to Henderson, Haswell, Tanglewood and Tiffany Parks, improvements to the Carnegie Library parking lot, street, water and wastewater improvements on University Drive East, South College, 26th Street, and within the Downtown Business District.

2003 Certificates of Obligation Fund – To account for the construction of streets and acquisition of traffic signals, improvements to parks, the acquisition of HVAC equipment for municipal buildings, the acquisition of land and the costs of planning, design and preliminary site work for the construction of a Municipal Court and Police building.

2004 Certificates of Obligation Fund – To account for the acquisition of land, the costs of planning, design and site work, and the construction of a municipal court and police building (“justice center”), and the construction of improvements and extensions to the City’s water and wastewater systems.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City’s programs.

Relating to Bryan cemeteries:

- Myrtie Conway Astin
- Bade Trust
- Brandon Cemetery
- J. W. English
- Lucy B. Hervey
- Mills Trust
- Cemetery

Relating to Bryan libraries:

- F. L. Henderson Library
- Rountree Library

CITY OF BRYAN, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 7,246,667	\$ 11,098,044	\$ 764,822	\$ 19,109,533
Investments	6,215,314	10,066,396	693,726	16,975,436
Receivables:				
Accounts	516,976			516,976
Less allowance for uncollectible	(79,492)			(79,492)
Grants	76,998			76,998
Interest	39,063	63,267	4,361	106,691
Notes	57,087			57,087
Due from other funds	35,915			35,915
Prepaid and other assets	42,294			42,294
Total assets	<u>\$ 14,150,822</u>	<u>\$ 21,227,707</u>	<u>\$ 1,462,909</u>	<u>\$ 36,841,438</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 557,199	\$ 320,781		\$ 877,980
Accrued liabilities	9,122			9,122
Retainages payable	127,230	78,497		205,727
Due to other funds	39,887			39,887
Unearned revenue	57,087			57,087
Total liabilities	<u>790,525</u>	<u>399,278</u>		<u>1,189,803</u>
Fund balances:				
Reserved for encumbrances	3,546,023	2,162,082	\$ 175,459	5,883,564
Reserved for perpetual care			527,369	527,369
Reserved for capital improvements	1,217,025	18,666,347		19,883,372
Reserved for court activities	130,379			130,379
Unreserved - undesignated	8,466,870		760,081	9,226,951
Total fund balances	<u>13,360,297</u>	<u>20,828,429</u>	<u>1,462,909</u>	<u>35,651,635</u>
Total liabilities and fund balances	<u>\$ 14,150,822</u>	<u>\$ 21,227,707</u>	<u>\$ 1,462,909</u>	<u>\$ 36,841,438</u>

CITY OF BRYAN, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
As of September 30, 2005

	Community Development Fund	Hotel and Motel Room Tax Fund	Oil and Gas Fund	Special Projects Fund	Court Technology Fund	Street Improvement Fund	Drainage Improvement Fund	Tax Increment Reinvestment Zone #8 Fund	Tax Increment Reinvestment Zone #10 Fund	Total
<u>Assets</u>										
Cash and cash equivalents	\$ 394,382	\$ 55,981	\$ 137,077	\$ 677,539	\$ 78,623	\$ 1,701,157	\$ 820,202	\$ 426,339	\$ 2,955,367	\$ 7,246,667
Investments		50,777	124,335	614,556	71,315	1,543,021	743,958	386,708	2,680,644	6,215,314
Accounts receivable	7,203	61,316	34,616			320,088	93,753			516,976
Less allowance for uncollectibles						(53,381)	(26,111)			(79,492)
Grants receivable	76,998									76,998
Interest receivable		319	782	3,862	448	9,698	4,676	2,430	16,848	39,063
Notes receivable	57,087									57,087
Due from other funds	125					27,630	8,160			35,915
Prepaid and other assets	2,294	40,000								42,294
Total assets	<u>\$ 538,089</u>	<u>\$ 208,393</u>	<u>\$ 296,810</u>	<u>\$ 1,295,957</u>	<u>\$ 150,386</u>	<u>\$ 3,548,213</u>	<u>\$ 1,644,638</u>	<u>\$ 815,477</u>	<u>\$ 5,652,859</u>	<u>\$ 14,150,822</u>
<u>Liabilities and Fund Balances</u>										
Liabilities:										
Accounts payable	\$ 41,564	\$ 7,262				\$ 272,951	\$ 43,246		\$ 192,176	\$ 557,199
Accrued liabilities	9,122									9,122
Retainages payable	1,827					17,754			107,649	127,230
Due to other funds			\$ 25,906		\$ 13,981					39,887
Unearned revenue	57,087									57,087
Total liabilities	<u>109,600</u>	<u>7,262</u>	<u>25,906</u>		<u>13,981</u>	<u>290,705</u>	<u>43,246</u>		<u>299,825</u>	<u>790,525</u>
Fund balances:										
Reserved for encumbrances	306,561	2,000			6,026	2,054,785	254,039		922,612	3,546,023
Reserved for capital improvements									1,217,025	1,217,025
Reserved for court activities					130,379					130,379
Unreserved - undesignated	121,928	199,131	270,904	\$ 1,295,957		1,202,723	1,347,353	\$ 815,477	3,213,397	8,466,870
Total fund balances	<u>428,489</u>	<u>201,131</u>	<u>270,904</u>	<u>1,295,957</u>	<u>136,405</u>	<u>3,257,508</u>	<u>1,601,392</u>	<u>815,477</u>	<u>5,353,034</u>	<u>13,360,297</u>
Total liabilities and fund balances	<u>\$ 538,089</u>	<u>\$ 208,393</u>	<u>\$ 296,810</u>	<u>\$ 1,295,957</u>	<u>\$ 150,386</u>	<u>\$ 3,548,213</u>	<u>\$ 1,644,638</u>	<u>\$ 815,477</u>	<u>\$ 5,652,859</u>	<u>\$ 14,150,822</u>

CITY OF BRYAN, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Project Funds
As of September 30, 2005

	Street Improvements Fund	2000 Certificates of Obligation Fund	2001 Certificates of Obligation Fund	2001A Certificates of Obligation Fund	2003 Certificates of Obligation Fund	2004 Certificates of Obligation Fund	Total
<u>Assets</u>							
Cash and cash equivalents	\$ 1,079	\$ 3,111	\$ 30,734	\$ 1,641,011	\$ 2,627,164	\$ 6,794,945	\$ 11,098,044
Investments	979	2,822	27,877	1,488,467	2,382,949	6,163,302	10,066,396
Interest receivable	6	18	175	9,355	14,977	38,736	63,267
Total assets	<u>\$ 2,064</u>	<u>\$ 5,951</u>	<u>\$ 58,786</u>	<u>\$ 3,138,833</u>	<u>\$ 5,025,090</u>	<u>\$ 12,996,983</u>	<u>\$ 21,227,707</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable			\$ 58,786		\$ 211,400	\$ 50,595	\$ 320,781
Retainages payable				\$ 10,495		68,002	78,497
Total liabilities			<u>58,786</u>	<u>10,495</u>	<u>211,400</u>	<u>118,597</u>	<u>399,278</u>
Fund balances:							
Reserved for encumbrances		\$ 5,837		220,404	1,420,659	515,182	2,162,082
Reserved for capital improvements	\$ 2,064	114		2,907,934	3,393,031	12,363,204	18,666,347
Total fund balances	<u>2,064</u>	<u>5,951</u>		<u>3,128,338</u>	<u>4,813,690</u>	<u>12,878,386</u>	<u>20,828,429</u>
Total liabilities and fund balances	<u>\$ 2,064</u>	<u>\$ 5,951</u>	<u>\$ 58,786</u>	<u>\$ 3,138,833</u>	<u>\$ 5,025,090</u>	<u>\$ 12,996,983</u>	<u>\$ 21,227,707</u>

CITY OF BRYAN, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Permanent Funds
As of September 30, 2005

	Brandon Cemetery Fund	J.W. English Fund	Lucy B. Hervey Fund	Mills Trust Fund	Cemetery Fund	Myrtie Conway Astin Fund	F.L. Henderson Library Fund	Rountree Library Fund	Bade Trust Fund	Totals
<u>Assets</u>										
Cash and cash equivalents	\$ 1,127	\$ 4,032	\$ 6,407	\$ 404	\$ 718,572	\$ 26,592	\$ 2,822	\$ 4,479	\$ 387	\$ 764,822
Investments	1,022	3,657	5,811	367	651,776	24,120	2,560	4,062	351	693,726
Interest receivable	6	23	37	3	4,097	152	16	25	2	4,361
Total assets	<u>\$ 2,155</u>	<u>\$ 7,712</u>	<u>\$ 12,255</u>	<u>\$ 774</u>	<u>\$ 1,374,445</u>	<u>\$ 50,864</u>	<u>\$ 5,398</u>	<u>\$ 8,566</u>	<u>\$ 740</u>	<u>\$ 1,462,909</u>
<u>Fund Balances</u>										
Fund balances:										
Reserved for encumbrances					\$ 175,459					\$ 175,459
Reserved for perpetual care	\$ 1,399	\$ 5,000	\$ 1,500	\$ 500	504,725	\$ 4,950	\$ 2,085	\$ 6,710	\$ 500	527,369
Unreserved - undesignated	<u>756</u>	<u>2,712</u>	<u>10,755</u>	<u>274</u>	<u>694,261</u>	<u>45,914</u>	<u>3,313</u>	<u>1,856</u>	<u>240</u>	<u>760,081</u>
Total fund balances	<u>2,155</u>	<u>7,712</u>	<u>12,255</u>	<u>774</u>	<u>1,374,445</u>	<u>50,864</u>	<u>5,398</u>	<u>8,566</u>	<u>740</u>	<u>1,462,909</u>
Total liabilities and fund balances	<u>\$ 2,155</u>	<u>\$ 7,712</u>	<u>\$ 12,255</u>	<u>\$ 774</u>	<u>\$ 1,374,445</u>	<u>\$ 50,864</u>	<u>\$ 5,398</u>	<u>\$ 8,566</u>	<u>\$ 740</u>	<u>\$ 1,462,909</u>

CITY OF BRYAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total
Revenues:				
Property taxes	\$ 428,039			\$ 428,039
Other taxes	3,500,923			3,500,923
Grants	1,673,528	\$ 174,828		1,848,356
Fines and court charges	35,852			35,852
Litigation proceeds	450,000			450,000
Investment earnings	318,129	609,006	\$ 35,800	962,935
Oil and gas royalties	58,379			58,379
Other	2,850,925	114,581	43,252	3,008,758
Total revenues	<u>9,315,775</u>	<u>898,415</u>	<u>79,052</u>	<u>10,293,242</u>
Expenditures:				
Current:				
General government and administration	46,982		153	47,135
Development services	1,409,361			1,409,361
Public works services	2,600,715	85,481		2,686,196
Cultural and recreational	159,969			159,969
Capital outlay	2,111,133	6,592,581	10,628	8,714,342
Debt service:				
Bond and principal retirement	260,000			260,000
Interest and fiscal charges	138,696			138,696
Total expenditures	<u>6,726,856</u>	<u>6,678,062</u>	<u>10,781</u>	<u>13,415,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,588,919</u>	<u>(5,779,647)</u>	<u>68,271</u>	<u>(3,122,457)</u>
Other financing sources (uses):				
Transfers in	583,000			583,000
Transfers out	(2,147,933)	(1,907,558)		(4,055,491)
Total other financing uses	<u>(1,564,933)</u>	<u>(1,907,558)</u>		<u>(3,472,491)</u>
Net change in fund balances	1,023,986	(7,687,205)	68,271	(6,594,948)
Fund balances, October 1, 2004	<u>12,336,311</u>	<u>28,515,634</u>	<u>1,394,638</u>	<u>42,246,583</u>
Fund balances, September 30, 2005	<u>\$ 13,360,297</u>	<u>\$ 20,828,429</u>	<u>\$ 1,462,909</u>	<u>\$ 35,651,635</u>

CITY OF BRYAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended September 30, 2005

	Community Development Fund	Hotel and Motel Room Tax Fund	Oil and Gas Fund	Special Projects Fund	Court Technology Fund	Street Improvement Fund	Drainage Improvement Fund	Tax Increment Reinvestment Zone #8 Fund	Tax Increment Reinvestment Zone #10 Fund	Total
Revenues:										
Property taxes								\$ 405,010	\$ 23,029	\$ 428,039
Other taxes		\$ 221,482				\$ 2,494,519	\$ 784,922			3,500,923
Grants	\$ 1,673,528									1,673,528
Fines and court charges					\$ 35,852					35,852
Litigation proceeds				\$ 450,000						450,000
Investment earnings	4,725	2,126	\$ 7,267	22,785	3,361	63,162	35,686	13,174	165,843	318,129
Oil and gas royalties			58,379							58,379
Other	508,679						1,500	535,909	1,804,837	2,850,925
Total revenues	<u>2,186,932</u>	<u>223,608</u>	<u>65,646</u>	<u>472,785</u>	<u>39,213</u>	<u>2,557,681</u>	<u>822,108</u>	<u>954,093</u>	<u>1,993,709</u>	<u>9,315,775</u>
Expenditures:										
Current:										
General government and administration			30,000		13,981				3,001	46,982
Development services	1,399,361							10,000		1,409,361
Public works services						2,343,738	256,977			2,600,715
Cultural and recreational		159,969								159,969
Capital outlay						41,590	93,333		1,976,210	2,111,133
Debt service:										
Bond and principal retirement	260,000									260,000
Interest and fiscal charges	138,696									138,696
Total expenditures	<u>1,798,057</u>	<u>159,969</u>	<u>30,000</u>		<u>13,981</u>	<u>2,385,328</u>	<u>350,310</u>	<u>10,000</u>	<u>1,979,211</u>	<u>6,726,856</u>
Excess of revenues over expenditures	<u>388,875</u>	<u>63,639</u>	<u>35,646</u>	<u>472,785</u>	<u>25,232</u>	<u>172,353</u>	<u>471,798</u>	<u>944,093</u>	<u>14,498</u>	<u>2,588,919</u>
Other financing sources (uses):										
Transfers in						583,000				583,000
Transfers out								(302,074)	(1,845,859)	(2,147,933)
Total other financing sources (uses)						<u>583,000</u>		<u>(302,074)</u>	<u>(1,845,859)</u>	<u>(1,564,933)</u>
Net change in fund balances	388,875	63,639	35,646	472,785	25,232	755,353	471,798	642,019	(1,831,361)	1,023,986
Fund balances, October 1, 2004	<u>39,614</u>	<u>137,492</u>	<u>235,258</u>	<u>823,172</u>	<u>111,173</u>	<u>2,502,155</u>	<u>1,129,594</u>	<u>173,458</u>	<u>7,184,395</u>	<u>12,336,311</u>
Fund balances, September 30, 2005	<u>\$ 428,489</u>	<u>\$ 201,131</u>	<u>\$ 270,904</u>	<u>\$ 1,295,957</u>	<u>\$ 136,405</u>	<u>\$ 3,257,508</u>	<u>\$ 1,601,392</u>	<u>\$ 815,477</u>	<u>\$ 5,353,034</u>	<u>\$ 13,360,297</u>

CITY OF BRYAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Project Funds
For the Fiscal Year Ended September 30, 2005

	Street Improvements Fund	2000 Certificates of Obligation Fund	2001 Certificates of Obligation Fund	2001A Certificates of Obligation Fund	2003 Certificates of Obligation Fund	2004 Certificates of Obligation Fund	Total
Revenues:							
Investment earnings	\$ 4,226	\$ 2,239	\$ 1,703	\$ 88,521	\$ 156,728	\$ 355,589	\$ 609,006
Grants				59,176	115,652		174,828
Other	14,644			99,937			114,581
Total revenues	<u>18,870</u>	<u>2,239</u>	<u>1,703</u>	<u>247,634</u>	<u>272,380</u>	<u>355,589</u>	<u>898,415</u>
Expenditures:							
Current:							
Public works services	85,000			281	200		85,481
Capital outlay		278,824	212,292	1,537,378	4,513,234	50,853	6,592,581
Total expenditures	<u>85,000</u>	<u>278,824</u>	<u>212,292</u>	<u>1,537,659</u>	<u>4,513,434</u>	<u>50,853</u>	<u>6,678,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(66,130)</u>	<u>(276,585)</u>	<u>(210,589)</u>	<u>(1,290,025)</u>	<u>(4,241,054)</u>	<u>304,736</u>	<u>(5,779,647)</u>
Other financing uses:							
Transfers out						(1,907,558)	(1,907,558)
Net change in fund balances	(66,130)	(276,585)	(210,589)	(1,290,025)	(4,241,054)	(1,602,822)	(7,687,205)
Fund balances, October 1, 2004	<u>68,194</u>	<u>282,536</u>	<u>210,589</u>	<u>4,418,363</u>	<u>9,054,744</u>	<u>14,481,208</u>	<u>28,515,634</u>
Fund balances, September 30, 2005	<u>\$ 2,064</u>	<u>\$ 5,951</u>	<u>\$ -</u>	<u>\$ 3,128,338</u>	<u>\$ 4,813,690</u>	<u>\$ 12,878,386</u>	<u>\$ 20,828,429</u>

CITY OF BRYAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Permanent Funds
For the Fiscal Year Ended September 30, 2005

	Brandon Cemetery Fund	J.W. English Fund	Lucy B. Hervey Fund	Mills Trust Fund	Cemetery Fund	Myrtie Conway Astin Fund	F.L. Henderson Library Fund	Rountree Library Fund	Bade Trust Fund	Totals
Revenues:										
Contributions					\$ 43,252					\$ 43,252
Investment earnings	\$ 53	\$ 191	\$ 303	\$ 19	33,616	\$ 1,256	\$ 133	\$ 211	\$ 18	35,800
Total revenues	<u>53</u>	<u>191</u>	<u>303</u>	<u>19</u>	<u>76,868</u>	<u>1,256</u>	<u>133</u>	<u>211</u>	<u>18</u>	<u>79,052</u>
Expenditures:										
General government and administration					153					153
Capital outlay					10,628					10,628
Total expenditures	<u></u>	<u></u>	<u></u>	<u></u>	<u>10,781</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>10,781</u>
Net change in fund balances	53	191	303	19	66,087	1,256	133	211	18	68,271
Fund balances, October 1, 2004	<u>2,102</u>	<u>7,521</u>	<u>11,952</u>	<u>755</u>	<u>1,308,358</u>	<u>49,608</u>	<u>5,265</u>	<u>8,355</u>	<u>722</u>	<u>1,394,638</u>
Fund balances, September 30, 2005	<u>\$ 2,155</u>	<u>\$ 7,712</u>	<u>\$ 12,255</u>	<u>\$ 774</u>	<u>\$ 1,374,445</u>	<u>\$ 50,864</u>	<u>\$ 5,398</u>	<u>\$ 8,566</u>	<u>\$ 740</u>	<u>\$ 1,462,909</u>

CITY OF BRYAN, TEXAS
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	\$ 4,532,881	\$ 4,620,532	\$ 87,651
Investment earnings	30,000	53,311	23,311
Total revenues	<u>4,562,881</u>	<u>4,673,843</u>	<u>110,962</u>
Expenditures:			
Debt service:			
Bond and principal retirement	2,884,848	2,884,848	
Interest and fiscal charges	3,888,268	3,888,296	(28)
Total expenditures	<u>6,773,116</u>	<u>6,773,144</u>	<u>(28)</u>
Excess of expenditures over revenues	(2,210,235)	(2,099,301)	110,934
Other financing sources:			
Transfers in	<u>2,165,486</u>	<u>2,166,150</u>	<u>664</u>
Net change in fund balance	(44,749)	66,849	111,598
Fund Balance, October 1, 2004	<u>676,021</u>	<u>676,021</u>	
Fund Balance, September 30, 2005	<u>\$ 631,272</u>	<u>\$ 742,870</u>	<u>\$ 111,598</u>

Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Grants	\$ 1,712,588	\$ 1,712,588	\$ 1,673,528	\$ (39,060)
Investment earnings	7,000	7,000	4,725	(2,275)
Loan payments	65,331	65,331	473,175	407,844
Other	13,000	13,000	35,504	22,504
Total revenues	<u>1,797,919</u>	<u>1,797,919</u>	<u>2,186,932</u>	<u>389,013</u>
Expenditures:				
Current:				
Development services	1,399,223	1,495,676	1,399,361	96,315
Debt service:				
Bond and principal retirement	260,000	283,966	260,000	23,966
Interest and fiscal charges	<u>138,696</u>	<u>138,696</u>	<u>138,696</u>	
Total expenditures	<u>1,797,919</u>	<u>1,918,338</u>	<u>1,798,057</u>	<u>120,281</u>
Net change in fund balance		(120,419)	388,875	509,294
Fund balance, October 1, 2004	<u>39,614</u>	<u>39,614</u>	<u>39,614</u>	
Fund balance, September 30, 2005	<u>\$ 39,614</u>	<u>\$ (80,805)</u>	<u>\$ 428,489</u>	<u>\$ 509,294</u>

CITY OF BRYAN, TEXAS
Hotel and Motel Room Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Occupancy taxes	\$ 220,000	\$ 221,482	\$ 1,482
Investment earnings	1,670	2,126	456
Total revenues	<u>221,670</u>	<u>223,608</u>	<u>1,938</u>
Expenditures:			
Current:			
Cultural and recreational	<u>230,822</u>	<u>159,969</u>	<u>70,853</u>
Total expenditures	<u>230,822</u>	<u>159,969</u>	<u>70,853</u>
Net change in fund balance	(9,152)	63,639	72,791
Fund balance, October 1, 2004	<u>137,492</u>	<u>137,492</u>	
Fund balance, September 30, 2005	<u><u>\$ 128,340</u></u>	<u><u>\$ 201,131</u></u>	<u><u>\$ 72,791</u></u>

CITY OF BRYAN, TEXAS
Oil and Gas Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Investment earnings	\$ 4,000	\$ 7,267	\$ 3,267
Oil and gas royalties	55,000	58,379	3,379
Total revenues	<u>59,000</u>	<u>65,646</u>	<u>6,646</u>
Expenditures:			
Current:			
General government and administration	<u>30,000</u>	<u>30,000</u>	
Total expenditures	<u>30,000</u>	<u>30,000</u>	
Excess of revenues over expenditures	29,000	35,646	6,646
Other financing uses:			
Transfers out	<u>(25,000)</u>		<u>25,000</u>
Net change in fund balance	4,000	35,646	31,646
Fund balance, October 1, 2004	<u>235,258</u>	<u>235,258</u>	
Fund balance, September 30, 2005	<u>\$ 239,258</u>	<u>\$ 270,904</u>	<u>\$ 31,646</u>

CITY OF BRYAN, TEXAS
Special Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Litigation proceeds	\$ 450,000	\$ 450,000	
Investment earnings	16,460	22,785	\$ 6,325
Total revenues	<u>466,460</u>	<u>472,785</u>	<u>6,325</u>
 Fund balance, October 1, 2004	 <u>823,172</u>	 <u>823,172</u>	
 Fund balance, September 30, 2005	 <u><u>\$ 1,289,632</u></u>	 <u><u>\$ 1,295,957</u></u>	 <u><u>\$ 6,325</u></u>

CITY OF BRYAN, TEXAS
Court Technology Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Fines and court charges	\$ 42,800	\$ 35,852	\$ (6,948)
Investment earnings	2,300	3,361	1,061
Total revenues	<u>45,100</u>	<u>39,213</u>	<u>(5,887)</u>
Expenditures:			
Current:			
General government and administration		13,981	(13,981)
Capital outlay	<u>20,000</u>	<u></u>	<u>20,000</u>
Total expenditures	<u>20,000</u>	<u>13,981</u>	<u>6,019</u>
Net change in fund balance	25,100	25,232	132
Fund balance, October 1, 2004	<u>111,173</u>	<u>111,173</u>	
Fund balance, September 30, 2005	<u>\$ 136,273</u>	<u>\$ 136,405</u>	<u>\$ 132</u>

CITY OF BRYAN, TEXAS
Street Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Other taxes	\$ 3,255,260	\$ 2,494,519	\$ (760,741)
Investment earnings	25,072	63,162	38,090
Total revenues	<u>3,280,332</u>	<u>2,557,681</u>	<u>(722,651)</u>
Expenditures:			
Current:			
Public works services	5,453,974	2,343,738	3,110,236
Capital outlay	<u>41,590</u>	<u>41,590</u>	<u>(41,590)</u>
Total expenditures	<u>5,453,974</u>	<u>2,385,328</u>	<u>3,068,646</u>
Excess (deficiency) of revenues over (under) expenditures	(2,173,642)	172,353	2,345,995
Other financing sources:			
Transfers in	<u>583,000</u>	<u>583,000</u>	
Net change in fund balance	(1,590,642)	755,353	2,345,995
Fund balance, October 1, 2004	<u>2,502,155</u>	<u>2,502,155</u>	
Fund balance, September 30, 2005	<u>\$ 911,513</u>	<u>\$ 3,257,508</u>	<u>\$ 2,345,995</u>

CITY OF BRYAN, TEXAS
Drainage Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Other taxes	\$ 800,000	\$ 784,922	\$ (15,078)
Investment earnings	1,740	35,686	33,946
Other		1,500	1,500
Total revenues	<u>801,740</u>	<u>822,108</u>	<u>20,368</u>
Expenditures:			
Current:			
Public works services	892,343	256,977	635,366
Capital outlay		93,333	(93,333)
Total expenditures	<u>892,343</u>	<u>350,310</u>	<u>542,033</u>
Net change in fund balance	(90,603)	471,798	562,401
Fund balance, October 1, 2004	<u>1,129,594</u>	<u>1,129,594</u>	
Fund balance, September 30, 2005	<u><u>\$ 1,038,991</u></u>	<u><u>\$ 1,601,392</u></u>	<u><u>\$ 562,401</u></u>

CITY OF BRYAN, TEXAS
Tax Increment Reinvestment Zone #8 Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	\$ 388,504	\$ 405,010	\$ 16,506
Investment earnings	4,000	13,174	9,174
Other	507,267	535,909	28,642
Total revenues	<u>899,771</u>	<u>954,093</u>	<u>54,322</u>
Expenditures:			
Current:			
Development services	<u>405,358</u>	<u>10,000</u>	<u>395,358</u>
Excess of revenues over expenditures	494,413	944,093	449,680
Other financing uses:			
Transfers out	<u>(301,409)</u>	<u>(302,074)</u>	<u>(665)</u>
Net change in fund balance	193,004	642,019	449,015
Fund balance, October 1, 2004	<u>173,458</u>	<u>173,458</u>	
Fund balance, September 30, 2005	<u>\$ 366,462</u>	<u>\$ 815,477</u>	<u>\$ 449,015</u>

CITY OF BRYAN, TEXAS
Tax Increment Reinvestment Zone #10 Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2005

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 21,314	\$ 21,314	\$ 23,029	\$ 1,715
Investment earnings	99,169	99,169	165,843	66,674
Lot Sales	1,656,500	1,656,500	1,789,794	133,294
Other	13,921	13,921	15,043	1,122
Total revenues	<u>1,790,904</u>	<u>1,790,904</u>	<u>1,993,709</u>	<u>202,805</u>
Expenditures:				
Current:				
General government and administration			3,001	(3,001)
Capital outlay	<u>4,150,000</u>	<u>4,214,647</u>	<u>1,976,210</u>	<u>2,238,437</u>
Total expenditures	<u>4,150,000</u>	<u>4,214,647</u>	<u>1,979,211</u>	<u>2,235,436</u>
Excess (deficiency) of revenues over (under) expenditures	(2,359,096)	(2,423,743)	14,498	2,438,241
Other financing uses:				
Transfers out	<u>(1,845,859)</u>	<u>(1,845,859)</u>	<u>(1,845,859)</u>	
Net change in fund balance	(4,204,955)	(4,269,602)	(1,831,361)	2,438,241
Fund balance, October 1, 2004	<u>7,184,395</u>	<u>7,184,395</u>	<u>7,184,395</u>	
Fund balance, September 30, 2005	<u>\$ 2,979,440</u>	<u>\$ 2,914,793</u>	<u>\$ 5,353,034</u>	<u>\$ 2,438,241</u>

COMBINING FINANCIAL STATEMENTS

NONMAJOR ENTERPRISE FUNDS

Solid Waste Fund – To account for the provision of residential and commercial garbage collection and the City's interest in the Brazos Valley Solid Waste Management Agency's landfill operations. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administrative, operations, maintenance, new construction, financing and related debt services, and billing and collection.

Bryan Airport Fund – To account for the revenues received and the expenses incurred by the City in the operation of Bryan's Coulter Airfield.

BTU QSE Services – To account for the provision of qualified scheduling services of electrical generation to the City Electric system. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administrative, operations, maintenance, and billing and collection.

Bryan Commerce and Development – To account for economic development activities and public facility development by the City. The activities related to the acquisition of property for development and the operations of the LaSalle Hotel are included in this fund.

CITY OF BRYAN, TEXAS
Combining Statement of Net Assets
Nonmajor Enterprise Funds
As of September 30, 2005

<u>Assets</u>	Solid Waste Fund	Bryan Airport Fund	BTU QSE Services	Bryan Commerce & Development	Total
Current assets:					
Cash and cash equivalents	\$ 720,341	\$ 53,135		\$ 58,983	\$ 832,459
Investments	653,380	48,195		779	702,354
Accounts receivable	750,279	842	\$ 18,976,254	25,830	19,753,205
Less allowance for uncollectible	(140,378)			(1,310)	(141,688)
Grants		1,475			1,475
Interest receivable	4,107	302		5	4,414
Inventories				618	618
Due from other funds	78,917				78,917
Prepaid and other assets	101		117,395	31,525	149,021
Total current assets	<u>2,066,747</u>	<u>103,949</u>	<u>19,093,649</u>	<u>116,430</u>	<u>21,380,775</u>
Noncurrent assets:					
Unamortized bond issuance expenses	6,355				6,355
Investment in BVSWMMA	7,206,852				7,206,852
Capital assets:					
Land				4,889,843	4,889,843
Buildings	83,308	1,104,223		1,293,217	2,480,748
Equipment	6,283,720			160,816	6,444,536
Improvements other than buildings	24,378	2,433,785	2,631,679		5,089,842
Construction in progress				3,758	3,758
Less accumulated depreciation	(4,602,816)	(1,205,410)	(763,114)	(330,211)	(6,901,551)
Total capital assets (net of accumulated depreciation)	<u>1,788,590</u>	<u>2,332,598</u>	<u>1,868,565</u>	<u>6,017,423</u>	<u>12,007,176</u>
Total noncurrent assets	<u>9,001,797</u>	<u>2,332,598</u>	<u>1,868,565</u>	<u>6,017,423</u>	<u>19,220,383</u>
Total assets	<u>\$ 11,068,544</u>	<u>\$ 2,436,547</u>	<u>\$ 20,962,214</u>	<u>\$ 6,133,853</u>	<u>\$ 40,601,158</u>

	Solid Waste Fund	Bryan Airport Fund	BTU QSE Services	Bryan Commerce & Development	Total
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	\$ 90,986	\$ 1,636	\$ 5,920	\$ 10,317	\$ 108,859
Accrued liabilities	81,674		34,242	56,396	172,312
Due to other funds			18,765,063		18,765,063
Accrued interest	525	281		47,202	48,008
General obligation bonds	73,367				73,367
Certificates of obligation		1,875			1,875
Notes				433,024	433,024
Accrued vacation and sick pay	69,205		36,357	7,564	113,126
Total current liabilities	<u>315,757</u>	<u>3,792</u>	<u>18,841,582</u>	<u>554,503</u>	<u>19,715,634</u>
Noncurrent liabilities:					
General obligation bonds	42,057				42,057
Certificates of obligation		43,125			43,125
Notes				876,555	876,555
Accrued vacation and sick pay	71,289				71,289
Total noncurrent liabilities	<u>113,346</u>	<u>43,125</u>		<u>876,555</u>	<u>1,033,026</u>
Total liabilities	<u>429,103</u>	<u>46,917</u>	<u>18,841,582</u>	<u>1,431,058</u>	<u>20,748,660</u>
<u>Net Assets</u>					
Invested in capital assets, net of related debt	1,679,521	2,287,598	1,868,565	4,707,844	10,543,528
Unrestricted	8,959,920	102,032	252,067	(5,049)	9,308,970
Total net assets	<u>\$ 10,639,441</u>	<u>\$ 2,389,630</u>	<u>\$ 2,120,632</u>	<u>\$ 4,702,795</u>	<u>\$ 19,852,498</u>

CITY OF BRYAN, TEXAS
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2005

	Solid Waste Fund	Bryan Airport Fund	BTU QSE Services	Bryan Commerce & Development	Total
Operating revenues:					
Electrical system			\$ 1,430,139		\$ 1,430,139
Other	\$ 6,616,052	\$ 32,395		\$ 698,734	7,347,181
Total operating revenues	<u>6,616,052</u>	<u>32,395</u>	<u>1,430,139</u>	<u>698,734</u>	<u>8,777,320</u>
Operating expenses:					
Personnel services	2,007,891		904,022	353,976	3,265,889
Maintenance	240,440	28,262	9,114	33,883	311,699
Other services and charges	1,471,381	25,150	285,996	236,481	2,019,008
Other expenses	307,145		58,015	61,943	427,103
General and administrative	578,000				578,000
Administrative reimbursement	(185,436)				(185,436)
Total operating expenses					
before depreciation	<u>4,419,421</u>	<u>53,412</u>	<u>1,257,147</u>	<u>686,283</u>	<u>6,416,263</u>
Operating income (loss) before depreciation	2,196,631	(21,017)	172,992	12,451	2,361,057
Depreciation	<u>372,330</u>	<u>145,701</u>	<u>172,992</u>	<u>181,351</u>	<u>872,374</u>
Operating income (loss)	<u>1,824,301</u>	<u>(166,718)</u>		<u>(168,900)</u>	<u>1,488,683</u>
Nonoperating revenues (expenses):					
Investment earnings	37,189	2,667		79	39,935
Interest expense	(9,573)	(2,366)		(70,241)	(82,180)
Distributive share of BVSWM net loss	(91,031)				(91,031)
Other - net	135,909	33,219		(290,718)	(121,590)
Total nonoperating revenues (expenses)	<u>72,494</u>	<u>33,520</u>		<u>(360,880)</u>	<u>(254,866)</u>
Income (loss) before contributions and transfers	1,896,795	(133,198)		(529,780)	1,233,817
Transfers in				514,286	514,286
Transfers out	<u>(1,415,973)</u>				<u>(1,415,973)</u>
Change in net assets	480,822	(133,198)		(15,494)	332,130
Net assets, October 1, 2004	<u>10,158,619</u>	<u>2,522,828</u>	<u>2,120,632</u>	<u>4,718,289</u>	<u>19,520,368</u>
Net assets, September 30, 2005	<u>\$ 10,639,441</u>	<u>\$ 2,389,630</u>	<u>\$ 2,120,632</u>	<u>\$ 4,702,795</u>	<u>\$ 19,852,498</u>

CITY OF BRYAN, TEXAS
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2005

	Solid Waste Fund	Bryan Airport Fund	BTU QSE Services	Bryan Commerce & Development	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 6,673,383	\$ 140,236	\$ 13,111,835	\$ 687,528	\$ 20,612,982
Receipts for interfund services provided	185,436				185,436
Payments to suppliers	(2,021,871)	(62,040)	(12,231,872)	(333,034)	(14,648,817)
Payments to employees	(2,090,925)		(891,198)	(348,870)	(3,330,993)
Payments for interfund services used	(578,000)				(578,000)
Net cash provided (used) by operating activities	<u>2,168,023</u>	<u>78,196</u>	<u>(11,235)</u>	<u>5,624</u>	<u>2,240,608</u>
Cash flows from noncapital financing activities:					
Transfers in				514,286	514,286
Transfers out	(1,415,973)				(1,415,973)
Net cash provided (used) by noncapital financing activities	<u>(1,415,973)</u>			<u>514,286</u>	<u>(901,687)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(743,045)	(10,053)	(15,010)	(30,410)	(798,518)
Grant proceeds		24,378			24,378
Note proceeds				24,588	24,588
Principal paid on general obligation bonds	(74,709)				(74,709)
Principal paid on certificates of obligation		(1,563)			(1,563)
Principal paid on notes		(3,821)		(431,658)	(435,479)
Interest paid on bonds, contractual obligations, and notes	(14,215)	(2,531)		(85,974)	(102,720)
Net cash provided (used) by capital and related financing activities	<u>(831,969)</u>	<u>6,410</u>	<u>(15,010)</u>	<u>(523,454)</u>	<u>(1,364,023)</u>
Cash flows from investing activities:					
Purchase of investment securities	(585,470)	(48,894)		(698)	(635,062)
Sale of investment securities	285,569	4,269		1,427	291,265
Interest on investments	34,607	2,380		81	37,068
Net cash provided (used) by investing activities	<u>(265,294)</u>	<u>(42,245)</u>		<u>810</u>	<u>(306,729)</u>
Net increase (decrease) in cash and cash equivalents	(345,213)	42,361	(26,245)	(2,734)	(331,831)
Cash and cash equivalents, October 1, 2004	<u>1,065,554</u>	<u>10,774</u>	<u>26,245</u>	<u>61,717</u>	<u>1,164,290</u>
Cash and cash equivalents, September 30, 2005	<u>\$ 720,341</u>	<u>\$ 53,135</u>	<u>\$ -</u>	<u>\$ 58,983</u>	<u>\$ 832,459</u>

CITY OF BRYAN, TEXAS
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2005

	Solid Waste Fund	Bryan Airport Fund	BTU QSE Services	Bryan Commerce & Development	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,824,301	\$ (166,718)		\$ (168,900)	\$ 1,488,683
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	372,330	145,701	\$ 172,992	181,351	872,374
Miscellaneous nonoperating revenues (expenses)	135,909	8,841		(4,899)	139,851
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(60,438)	99,000	(13,662,011)	(11,206)	(13,634,655)
Increase in due from other funds	(18,140)				(18,140)
Increase (decrease) in accounts payable	(4,523)	(8,628)	4,128	1,313	(7,710)
Increase (decrease) in accrued liabilities	(71,309)		10,913	9,793	(50,603)
Increase in due to other funds			13,482,010		13,482,010
Increase (decrease) in accrued vacation and sick pay	(11,889)		12,824	3,983	4,918
(Increase) decrease in prepaid assets and unamortized expenses	1,782		(32,091)	(5,811)	(36,120)
Net cash provided (used) by operating activities	<u>\$ 2,168,023</u>	<u>\$ 78,196</u>	<u>\$ (11,235)</u>	<u>\$ 5,624</u>	<u>\$ 2,240,608</u>
Noncash investing, capital and financing activities					
Capital assets transferred to developers				\$ (285,819)	\$ (285,819)
Decrease in investment in BVSWM	\$ (91,031)				(91,031)

COMBINING FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

Warehouse Fund – To account for the operation of the City's warehouse function (excluding electric inventory).

Insurance Fund – To account for funds accumulated by the City to cover general liability and workers' compensation claims and associated administrative expenses.

Employee Benefit Trust Fund – To account for the administration of health insurance for City employees. Resources are contributed by the City for employee health coverage and by the employee for optional dependent coverage.

CITY OF BRYAN, TEXAS
Internal Service Funds
Combining Statement of Net Assets
As of September 30, 2005

<u>Assets</u>	Warehouse Fund	Insurance Fund	Employee Benefit Trust Fund	Total
Current assets:				
Cash and cash equivalents	\$ 124,014	\$ 4,584,968	\$ 1,807,743	\$ 6,516,725
Investments	112,490	4,135,332	1,639,699	5,887,521
Accounts receivable			24,415	24,415
Interest receivable	700	25,992	10,305	36,997
Inventories	161,452			161,452
Due from other funds	15,110	12,487	100,042	127,639
Prepaid and other assets		690	4,440	5,130
Total current assets	<u>413,766</u>	<u>8,759,469</u>	<u>3,586,644</u>	<u>12,759,879</u>
Capital assets:				
Buildings		23,419		23,419
Equipment		338,119		338,119
Improvements other than buildings	68,029	11,272		79,301
Less accumulated depreciation	<u>(24,384)</u>	<u>(215,549)</u>		<u>(239,933)</u>
Total capital assets (net of accumulated depreciation)	<u>43,645</u>	<u>157,261</u>		<u>200,906</u>
Total assets	<u>\$ 457,411</u>	<u>\$ 8,916,730</u>	<u>\$ 3,586,644</u>	<u>\$ 12,960,785</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 4,618	\$ 83,648	\$ 111,960	\$ 200,226
Claims payable		423,415	569,732	993,147
Accrued liabilities		7,704		7,704
Accrued vacation and sick pay		39,703		39,703
Total current liabilities	<u>4,618</u>	<u>554,470</u>	<u>681,692</u>	<u>1,240,780</u>
Noncurrent liabilities:				
Claims payable		962,777		962,777
Total liabilities	<u>4,618</u>	<u>1,517,247</u>	<u>681,692</u>	<u>2,203,557</u>
<u>Net Assets</u>				
Invested in capital assets	43,645	157,261		200,906
Unrestricted	409,148	7,242,222	2,904,952	10,556,322
Total net assets	<u>\$ 452,793</u>	<u>\$ 7,399,483</u>	<u>\$ 2,904,952</u>	<u>\$ 10,757,228</u>

CITY OF BRYAN, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2005

	Warehouse Fund	Insurance Fund	Employee Benefit Trust Fund	Total
Operating revenues:				
Intragovernmental	\$ 40,370	\$ 1,368,075	\$ 3,496,469	\$ 4,904,914
Other	5,139		1,500,349	1,505,488
Total operating revenues	<u>45,509</u>	<u>1,368,075</u>	<u>4,996,818</u>	<u>6,410,402</u>
Operating expenses:				
Personnel services		339,326		339,326
Maintenance		6,949		6,949
Claims		543,085	3,691,900	4,234,985
Other services and charges	9,005	336,370	460,478	805,853
Other expenses		30,271		30,271
General and administrative		145,000		145,000
Total operating expenses before depreciation	<u>9,005</u>	<u>1,401,001</u>	<u>4,152,378</u>	<u>5,562,384</u>
Operating income (loss) before depreciation	36,504	(32,926)	844,440	848,018
Depreciation	3,402	32,545		35,947
Operating income (loss)	<u>33,102</u>	<u>(65,471)</u>	<u>844,440</u>	<u>812,071</u>
Nonoperating revenues:				
Investment earnings	5,818	212,700	77,789	296,307
Other		1,935		1,935
Total nonoperating revenues	<u>5,818</u>	<u>214,635</u>	<u>77,789</u>	<u>298,242</u>
Income before transfers	38,920	149,164	922,229	1,110,313
Transfers out		(2,024)		(2,024)
Change in net assets	38,920	147,140	922,229	1,108,289
Net assets, October 1, 2004	<u>413,873</u>	<u>7,252,343</u>	<u>1,982,723</u>	<u>9,648,939</u>
Net assets, September 30, 2005	<u><u>\$ 452,793</u></u>	<u><u>\$ 7,399,483</u></u>	<u><u>\$ 2,904,952</u></u>	<u><u>\$ 10,757,228</u></u>

CITY OF BRYAN, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2005

	Warehouse Fund	Insurance Fund	Employee Benefit Trust Fund	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,089,573	\$ 1,935	\$ 1,748,079	\$ 2,839,587
Receipts for interfund services provided		1,399,243	3,502,439	4,901,682
Payments to suppliers	(1,092,980)	(784,334)	(4,122,820)	(6,000,134)
Payments to employees		(349,058)		(349,058)
Payments for interfund services used		(145,000)		(145,000)
Net cash provided (used) by operating activities	<u>(3,407)</u>	<u>122,786</u>	<u>1,127,698</u>	<u>1,247,077</u>
Cash flows from noncapital financing activities:				
Transfers out		(2,024)		(2,024)
Net cash used by noncapital activities		<u>(2,024)</u>		<u>(2,024)</u>
Cash flows from investing activities:				
Purchase of investment securities	(100,798)	(3,705,519)	(1,504,865)	(5,311,182)
Sale of investment securities	46,734	1,650,852	425,581	2,123,167
Interest on investments	5,370	195,685	69,902	270,957
Net cash used by investing activities	<u>(48,694)</u>	<u>(1,858,982)</u>	<u>(1,009,382)</u>	<u>(2,917,058)</u>
Net increase (decrease) in cash and cash equivalents	(52,101)	(1,738,220)	118,316	(1,672,005)
Cash and cash equivalents, October 1, 2004	<u>176,115</u>	<u>6,323,188</u>	<u>1,689,427</u>	<u>8,188,730</u>
Cash and cash equivalents, September 30, 2005	<u>\$ 124,014</u>	<u>\$ 4,584,968</u>	<u>\$ 1,807,743</u>	<u>\$ 6,516,725</u>
Operating income (loss)	\$ 33,102	\$ (65,471)	\$ 844,440	\$ 812,071
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	3,402	32,545		35,947
Nonoperating revenue		1,935		1,935
Change in assets and liabilities:				
Decrease in accounts receivable		27,209	247,730	274,939
Increase in inventory	(26,269)			(26,269)
(Increase) decrease in due from other funds	(14,954)	3,959	5,970	(5,025)
(Increase) decrease in prepaid assets		4,818	(28)	4,790
Increase in accounts payable	1,312	33,427	21,200	55,939
Decrease in accrued liabilities		(11,053)		(11,053)
Increase in claims payable		94,097	8,386	102,483
Increase in accrued vacation and sick pay		1,320		1,320
Net cash provided (used) by operating activities	<u>\$ (3,407)</u>	<u>\$ 122,786</u>	<u>\$ 1,127,698</u>	<u>\$ 1,247,077</u>

CITY OF BRYAN, TEXAS
Statement of Fiduciary Net Assets
Payroll Fund
As of September 30, 2005

Assets

Cash and cash equivalents	\$ 719,081
Accounts receivable	<u>227,831</u>
Total assets	<u><u>\$ 946,912</u></u>

Liabilities

Accounts payable	<u>\$ 946,912</u>
Total liabilities	<u><u>\$ 946,912</u></u>

CITY OF BRYAN, TEXAS
Statement of Changes in Fiduciary Net Assets
Payroll Fund
For the Fiscal Year Ended September 30, 2005

	<u>Additions</u>	
Contributions:		
Employer	\$	27,399,850
Employees		8,948,699
Total contributions		<u>36,348,549</u>
	<u>Deductions</u>	
Wages		17,864,700
Benefits and employment taxes		18,483,849
Total deductions	\$	<u>36,348,549</u>

CAPITAL ASSETS

USED IN THE OPERATION

OF GOVERNMENTAL FUNDS

CITY OF BRYAN, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets:		
Land	\$ 3,544,937	\$ 3,227,319
Buildings	18,333,805	17,808,202
Improvements other than buildings	28,898,651	24,970,135
Machinery and equipment	17,100,625	16,652,458
Infrastructure	26,086,701	15,183,801
Construction in Progress	28,210,028	25,031,550
	<u>\$ 122,174,747</u>	<u>\$ 102,873,465</u>
Investments in governmental funds capital assets by source:		
General Fund	\$ 25,357,942	\$ 22,710,577
Special Revenue Funds	8,299,754	8,447,834
Private Contributions	23,592,518	17,047,769
General Obligation bonds	27,194,566	24,049,015
Grants	12,512,670	12,459,526
Certificates of Obligation	25,217,297	18,158,744
	<u>\$ 122,174,747</u>	<u>\$ 102,873,465</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Infrastructure includes only the additions made since the implementation of GASB 34 in fiscal year 2002.

CITY OF BRYAN, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Fiscal Year Ended September 30, 2005

Function and Activity	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets	
	October 1, 2004			September 30, 2005	
General Government:					
Executive	\$ 15,343,325	\$ 11,658		\$ 15,354,983	15,354,983
City Secretary	191,528		\$ 7,178	184,350	184,350
Municipal court	547,961	24,816	1,678	571,099	571,099
Legal services	77,632		683	76,949	76,949
Fiscal services	313,768	225,262	26,566	512,464	512,464
Computer services	2,190,297	97,511	47,011	2,240,797	2,240,797
Purchasing services	1,859,458	6,095	510	1,865,043	1,865,043
Human resources	95,518	24,900	7,677	112,741	112,741
Facility services	1,251,661	639,028	899	1,889,790	1,889,790
Fleet services	102,489		13,115	89,374	89,374
Total general government	<u>21,973,637</u>	<u>1,029,270</u>	<u>105,317</u>	<u>22,897,590</u>	<u>22,897,590</u>
Development services:					
Administration	739,528		4,052	735,476	735,476
Planning	53,804		7,770	46,034	46,034
Engineering	37,221	19,469		56,690	56,690
Inspections	100,187	17,725	929	116,983	116,983
Community Development	5,445,182		1,768	5,443,414	5,443,414
TIF infrastructure	81,902			81,902	81,902
Total development services	<u>6,457,824</u>	<u>37,194</u>	<u>14,519</u>	<u>6,480,499</u>	<u>6,480,499</u>
Public works:					
Administration	322,455		1,360	321,095	321,095
Environmental services	139,222			139,222	139,222
Transportation services	17,978,415	11,034,815	667,362	28,345,868	28,345,868
Total public works	<u>18,440,092</u>	<u>11,034,815</u>	<u>668,722</u>	<u>28,806,185</u>	<u>28,806,185</u>
Public safety:					
Police services	3,175,671	651,260	276,403	3,550,528	3,550,528
Fire and emergency medical services	7,207,683	487,415	249,376	7,445,722	7,445,722
Total public safety	<u>10,383,354</u>	<u>1,138,675</u>	<u>525,779</u>	<u>10,996,250</u>	<u>10,996,250</u>
Cultural and recreational:					
Administration	352,753		10,003	342,750	342,750
Library services	3,099,396	184,944	10,289	3,274,051	3,274,051
College Station Library services	380,346	95,140		475,486	475,486
Parks and recreation services	16,754,513	3,955,910	18,515	20,691,908	20,691,908
Total cultural and recreational	<u>20,587,008</u>	<u>4,235,994</u>	<u>38,807</u>	<u>24,784,195</u>	<u>24,784,195</u>
Construction in Progress - Unclassified	<u>25,031,550</u>	<u>9,545,265</u>	<u>6,366,787</u>	<u>28,210,028</u>	
Total governmental funds capital assets	<u>\$ 102,873,465</u>	<u>\$ 27,021,213</u>	<u>\$ 7,719,931</u>	<u>\$ 122,174,747</u>	<u>\$ 93,964,719</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Infrastructure includes only the additions made since the implementation of GASB 34 in fiscal year 2002.

CITY OF BRYAN, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
As of September 30, 2005

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General Government:							
Executive	\$ 2,138,903	\$ 12,758,758	\$ 1,969	\$ 455,353			\$ 15,354,983
City Secretary			4,086	180,264			184,350
Municipal court	235,921		106,675	228,503			571,099
Legal services			42,640	34,309			76,949
Fiscal services		38,384		474,080			512,464
Computer services		60,768	33,279	2,146,750		\$ 518,786	2,759,583
Purchasing services		37,037	1,683,351	144,655			1,865,043
Human resources			9,991	102,750			112,741
Facility services		993,215	282,784	613,791		798,046	2,687,836
Fleet services		1,671	32,396	55,307			89,374
Total general government	<u>2,374,824</u>	<u>13,889,833</u>	<u>2,197,171</u>	<u>4,435,762</u>		<u>1,316,832</u>	<u>24,214,422</u>
Development services:							
Administration	35,156	1,260		699,060			735,476
Planning				46,034			46,034
Engineering				56,690			56,690
Inspections				116,983			116,983
Community Development	118,531	131,652	5,114,193	79,038			5,443,414
TIF infrastructure	81,902					12,428,080	12,509,982
Total development services	<u>235,589</u>	<u>132,912</u>	<u>5,114,193</u>	<u>997,805</u>		<u>12,428,080</u>	<u>18,908,579</u>
Public works:							
Administration		7,343		313,752			321,095
Environmental services		11,995	16,572	110,655			139,222
Transportation services	66,034	8,840	56,956	2,256,473	\$ 25,957,565	7,432,168	35,778,036
Total public works	<u>66,034</u>	<u>28,178</u>	<u>73,528</u>	<u>2,680,880</u>	<u>25,957,565</u>	<u>7,432,168</u>	<u>36,238,353</u>
Public safety:							
Police services	251,685	17,209	22,982	3,258,652		2,258,326	5,808,854
Fire and emergency medical services		3,294,680	12,780	4,138,262			7,445,722
Total public safety	<u>251,685</u>	<u>3,311,889</u>	<u>35,762</u>	<u>7,396,914</u>		<u>2,258,326</u>	<u>13,254,576</u>
Cultural and recreational:							
Administration			117,125	225,625		4,542,796	4,885,546
Library services		479,287	2,470,678	324,086			3,274,051
College Station Library services			406,946	68,540			475,486
Parks and recreation services	616,805	491,706	18,483,248	971,013	129,136	231,826	20,923,734
Total cultural and recreational	<u>616,805</u>	<u>970,993</u>	<u>21,477,997</u>	<u>1,589,264</u>	<u>129,136</u>	<u>4,774,622</u>	<u>29,558,817</u>
Total governmental funds capital assets	<u>\$ 3,544,937</u>	<u>\$ 18,333,805</u>	<u>\$ 28,898,651</u>	<u>\$ 17,100,625</u>	<u>\$ 26,086,701</u>	<u>\$ 28,210,028</u>	<u>\$ 122,174,747</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Infrastructure includes only the additions made since the implementation of GASB 34 in fiscal year 2002.



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Table 1

CITY OF BRYAN, TEXAS
Government-wide Expenses by Function
Last Ten Fiscal Years ⁽¹⁾

Fiscal Year	General Government	Development Services	Public Works	Public Safety	Cultural and Recreational	Interest on Long-term Debt	Electric	Rural Electric	Water	Wastewater	Other Business Type	Total
2002	\$ 7,364,669	\$ 3,689,496	\$ 3,704,016	\$16,607,113	\$ 5,359,073	\$ 3,141,894	\$84,227,608	\$18,519,864	\$ 6,748,950	\$ 8,634,604	\$ 7,473,192	\$ 165,470,479
2003	6,446,912	3,398,629	3,271,638	17,263,595	5,324,307	4,224,824	86,030,612	17,138,379	7,718,702	8,938,220	6,394,155	166,149,973
2004	6,745,877	3,984,122	3,773,365	17,808,452	5,099,170	3,977,230	106,532,985	20,383,211	7,894,538	9,154,681	7,134,688	192,488,319
2005	6,978,510	3,464,594	6,348,405	18,764,003	6,144,441	3,791,538	187,892,006	22,454,245	7,788,777	9,193,987	6,292,314	279,112,820

Source: Current year government-wide Statement of Activities.

⁽¹⁾ The City of Bryan first applied GASB Statement No. 34 in fiscal year 2002; therefore, government wide-financial information for years prior to fiscal year 2002 is not available.

Table 2

CITY OF BRYAN, TEXAS
Government-wide Revenues
Last Ten Fiscal Years ⁽¹⁾

Fiscal Year	Program Revenues			General Revenue				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Other Taxes	Investment Earnings	Miscellaneous	
2002	\$ 143,589,014	\$ 2,474,825	\$ 6,946,796	\$ 24,877,980	\$ 2,148,996	\$ 7,046,786	\$ 2,829,929	\$ 189,914,326
2003	146,304,768	2,413,339	4,508,751	25,729,845	2,106,236	4,086,454	(300,744)	184,848,649
2004	164,134,238	3,130,823	8,471,754	27,473,823	2,149,817	2,223,101	6,618,605	214,202,161
2005	255,938,345	2,695,069	13,804,524	29,568,957	3,692,116	3,991,609	4,674,141	314,364,761

Source: Current year government-wide Statement of Activities.

⁽¹⁾ The City of Bryan first applied GASB Statement No. 34 in fiscal year 2002; therefore, government-wide financial information for years prior to fiscal year 2002 is not available.

Table 3

CITY OF BRYAN, TEXAS
General Governmental Expenditures by Function ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	General Government	Public Works	Streets	Police, Fire and Ambulance Service	Community Services	Recreation	Transfers to Other Governmental Agencies	Capital Outlay Purchased with Federal Grants	Capital Outlay	Sundry Expenditures from Federal Grants and Hotel and Motel Room Tax Fund	Reimbursed Administrative Expenditures	Debt Service	Total
1996	\$11,008,622		\$ 2,523,251	\$ 10,302,547		\$ 1,713,884	\$ 337,045	\$ 58,608		\$ 1,522,603	\$ (2,687,957)	\$ 3,597,747	\$ 28,376,350
1997	9,803,241		2,501,428	10,471,517		1,917,089	140,637	14,732		1,957,602	(2,140,096)	3,498,333	28,164,483
1998	12,849,515		2,183,066	12,032,300		2,107,365	13,129,914 ^(a)	634,574		2,320,996	(2,243,080)	3,964,251	46,978,901
1999	12,402,187 ^(b)	\$2,769,313		12,636,912	\$5,398,468				\$3,388,786		(2,387,671)	4,365,749	38,573,744
2000	15,558,962	3,795,957		14,243,616	6,033,379				3,613,964		(3,121,320)	4,543,137	44,667,695
2001	13,455,124	4,843,791		15,429,198	6,077,106			31,123	6,915,203		(5,096,634)	5,404,737	47,059,648
2002	12,470,072 ^(c)	5,888,456		16,051,778		4,521,426 ^(c)		2,248	10,898,378		(4,876,640)	7,926,289	52,882,007
2003	12,213,102	2,802,949		16,549,344		4,373,729		1,759	9,914,133		(3,470,274)	6,883,569	49,268,311
2004	13,174,911	3,017,572		17,338,938		4,147,065			9,306,812		(3,479,000)	7,530,779	51,037,077
2005	12,858,962	5,403,527		18,055,907		5,195,631		17,363	12,674,735		(3,213,331)	7,290,181	58,282,975

⁽¹⁾ Includes the following funds: General, Special Revenue, Debt Service, and Capital Project Funds. Other financing uses are included in this table for fiscal years 1994 through 1998.

^(a) Includes fund transfer equaling \$12,657,267 to close the Rate Mitigation Fund to the Electric Utility Fund.

^(b) Reflects reorganization of expenditures according to department function.

^(c) Reflects reallocation of Community Services expenditures between General Government and Recreation.

Table 4

CITY OF BRYAN, TEXAS
General Governmental Revenues by Source ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	Property Taxes ⁽²⁾	Other Taxes	Licenses and Permits	Charges for Services	Fines and Court Charges	Intergovernmental Grants	Other Sources	Annual Utility Fund Transfer to General Fund	Annual Solid Waste Fund Transfer to General Fund	Total
1996	\$ 9,130,068	\$ 9,047,470	\$ 377,738	\$ 912,775	\$ 1,047,719	\$ 1,955,588	\$ 2,083,533	\$ 5,285,185	\$ 271,486	\$ 30,111,562
1997	9,736,912	9,297,866	461,835	1,002,843	1,020,436	2,379,387	2,686,549	12,750,144 ^(a)	280,080	39,616,052
1998	10,352,106	10,576,643	378,133	1,210,931	1,084,504	2,772,778	3,582,402	9,986,408	322,309	40,266,214
1999	11,001,749	10,998,246	508,284	1,430,477	2,387,995	3,093,009	5,244,512			34,664,272
2000	11,293,980	12,662,957	468,249	1,192,858	1,791,875	2,596,605	4,435,035		327,342	34,768,901
2001	12,569,021	13,587,442	352,140	1,619,172	1,646,843	2,420,043	5,319,139			37,513,800
2002	13,404,328	14,000,178	484,789	1,709,860	1,722,513	2,603,976	4,881,857			38,807,501
2003	13,854,355	13,980,022	503,847	1,252,160	1,697,070	2,576,713	2,821,308			36,685,475
2004	14,988,695	14,631,046	461,734	2,012,125	1,510,041	3,789,702	5,673,634			43,066,977
2005	16,181,224	17,100,168	538,964	2,985,561	1,451,695	3,049,046	5,769,344			47,076,002

⁽¹⁾ Includes the following funds: General, Debt Service, and Special Revenue Funds for fiscal years 1995 through 2001. Also includes Capital Project and Permanent Funds for fiscal years 2002 through 2005.
Other financing uses are included in this table for fiscal years 1994 through 1998.

⁽²⁾ Includes penalty and interest.

^(a) Includes transfers of \$4,750,144 to the General Fund and \$8,000,000 to the Rate Mitigation Fund from the Utility funds (Electric, Water, and Wastewater funds).

Table 5

CITY OF BRYAN, TEXAS
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u> ⁽¹⁾	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	\$ 8,931,272	\$ 8,704,567	97.5%	\$ 245,025	\$ 8,949,592	100.2%	\$ 1,357,780	15.2%
1997	9,529,348	9,292,470	97.5%	238,155	9,530,625	100.0%	1,292,253	13.6%
1998	10,295,280	9,905,281	96.2%	251,460	10,156,741	98.7%	1,172,391	11.4%
1999	10,680,364	10,446,670	97.8%	296,014	10,742,684	100.6%	969,559	9.1%
2000	11,184,342	10,837,264	96.9%	249,556	11,086,820	99.1%	1,040,284	9.3%
2001	12,273,328	12,035,948	98.1%	340,309	12,376,257	100.8%	986,298	8.0%
2002	13,185,857	12,898,436	97.8%	291,617	13,190,053	100.0%	1,040,283	7.9%
2003	13,675,082	13,383,887	97.9%	265,567	13,649,454	99.8%	996,965	7.3%
2004	14,761,233	14,540,232	98.5%	263,423	14,803,655	100.3%	1,005,608	6.8%
2005	15,940,864	15,660,992	98.2%	311,618	15,972,610	100.2%	1,035,138	6.5%

⁽¹⁾ Excludes penalty and interest on taxes.

Table 6

CITY OF BRYAN, TEXAS
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Estimated Actual Property Value			Assessed Value	Percent of Assessed to Total Estimated Actual Values
	Real	Personal	Total		
1996	\$ 1,204,326,976	\$ 258,733,931	\$ 1,463,060,907	\$ 1,463,060,907	100%
1997	1,229,223,539	277,630,978	1,506,854,517	1,506,854,517	100%
1998	1,295,115,104	321,975,686	1,617,090,790	1,617,090,790	100%
1999	1,337,256,147	340,200,044	1,677,456,191	1,677,456,191	100%
2000	1,392,361,795	364,249,234	1,756,611,029	1,756,611,029	100%
2001	1,526,173,562	402,382,461	1,928,556,023	1,928,556,023	100%
2002	1,661,773,249	410,170,006	2,071,943,255	2,071,943,255	100%
2003	1,732,463,698	416,353,508	2,148,817,206	2,148,817,206	100%
2004	1,914,602,349	404,887,475	2,319,489,824	2,319,489,824	100%
2005	2,065,746,055	439,103,794	2,504,849,849	2,504,849,849	100%

Table 7

CITY OF BRYAN, TEXAS
Assessed Values, Levies and Tax Distribution
Last Ten Fiscal Years

Fiscal Year	Assessed Valuation			Tax Rate Per \$100 Valuation	Total Tax Levy Per \$100 Valuation	Tax Distribution		Percentage of Assessed to Full Values
	Real	Personal	Total			General Fund	Debt Service Fund	
1996	\$1,204,326,976	\$ 258,733,931	\$ 1,463,060,907	0.6100	\$ 8,924,672	0.3682	0.2418	100%
1997	1,229,223,539	277,630,978	1,506,854,517	0.6324	9,529,348	0.3980	0.2344	100%
1998	1,295,115,104	321,975,686	1,617,090,790	0.6295	10,179,586	0.4226	0.2069	100%
1999	1,337,256,147	340,200,044	1,677,456,191	0.6367	10,680,364	0.4007	0.2360	100%
2000	1,392,361,795	364,249,234	1,756,611,029	0.6367	11,184,342	0.4067	0.2300	100%
2001	1,526,173,562	402,382,461	1,928,556,023	0.6364	12,273,328	0.4368	0.1996	100%
2002	1,661,773,249	410,170,006	2,071,943,255	0.6364	13,185,857	0.4282	0.2082	100%
2003	1,732,463,698	416,353,508	2,148,817,206	0.6364	13,675,082	0.4416	0.1948	100%
2004	1,914,602,349	404,887,475	2,319,489,824	0.6364	14,761,233	0.4396	0.1968	100%
2005	2,065,746,055	439,103,794	2,504,849,849	0.6364	15,940,864	0.4485	0.1879	100%

Table 8

CITY OF BRYAN, TEXAS
City Sales Tax Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sales Tax Collected</u>	<u>Percent of Sales Tax to Ad Valorem Levy</u>	<u>Equivalent Ad Valorem Tax Rate Per \$100 Valuation</u>	<u>Percent of Sales Tax to General Fund Revenue ⁽¹⁾</u>
1996	\$ 7,195,766	80.6%	0.4918	39.5%
1997	7,739,967	81.2%	0.5136	39.2%
1998	8,138,109	79.0%	0.5033	37.8%
1999	8,496,259	79.5%	0.5065	36.6%
2000	9,554,774	85.4%	0.5439	39.4%
2001	9,770,999	79.6%	0.5066	36.8%
2002	10,237,446	77.6%	0.4941	36.3%
2003	10,208,391	74.6%	0.4751	38.2%
2004	10,778,912	73.0%	0.4647	37.4%
2005	11,731,308	73.6%	0.4683	36.5%

⁽¹⁾ General Fund revenue as defined excludes other financing sources.

Table 9

CITY OF BRYAN, TEXAS
Property Tax Rates and Ratios
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Bryan		Brazos County		Bryan Independent School District		Total Tax Rate
	Tax Rate Per \$100	Assessment Percentage	Tax Rate Per \$100	Assessment Percentage	Tax Rate Per \$100	Assessment Percentage	
1996	\$0.6100	100%	\$0.4100	100%	\$1.5200	100%	\$2.5400
1997	0.6324	100%	0.4180	100%	1.5340	100%	2.5844
1998	0.6295	100%	0.4174	100%	1.6440	100%	2.6909
1999	0.6367	100%	0.4174	100%	1.6820	100%	2.7361
2000	0.6367	100%	0.4174	100%	1.5880	100%	2.6421
2001	0.6364	100%	0.4100	100%	1.6150	100%	2.6614
2002	0.6364	100%	0.4200	100%	1.6680	100%	2.7244
2003	0.6364	100%	0.4146	100%	1.7120	100%	2.7630
2004	0.6364	100%	0.4350	100%	1.6800	100%	2.7514
2005	0.6364	100%	0.4725	100%	1.6700	100%	2.7789

Source: Brazos County Tax Office

Table 10

CITY OF BRYAN, TEXAS
 Computation of Direct and Overlapping Debt
 September 30, 2005

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated Percent Applicable</u>	<u>Direct Overlapping Funded Debt</u>
Direct Debt:			
City of Bryan *	\$ 64,894,410 ⁽¹⁾	100.00%	<u>\$ 64,894,410</u>
Overlapping Debt:			
Brazos County ⁽²⁾	38,260,000	42.97%	16,440,322
Bryan Independent School District ⁽²⁾	105,570,000	78.39%	<u>82,756,323</u>
Estimated overlapping debt			<u>99,196,645</u>
Total estimated direct and overlapping funded debt			<u><u>\$164,091,055</u></u>
Total estimated debt to 100% assessed valuation			<u><u>6.55%</u></u>
Per capita overlapping funded debt ⁽³⁾			<u><u>\$2,365</u></u>

* Excludes General Obligation debt serviced by Electric Fund, Water Fund, Wastewater Fund, Solid Waste Fund and Airport Fund.

⁽¹⁾ General Obligation debt outstanding less amount available in Debt Service Fund.

Source :

⁽²⁾ First Southwest Company, Dallas, Texas

⁽³⁾ Estimated population 69,396

CITY OF BRYAN, TEXAS
Computation of Legal Debt Margin
September 30, 2005

As a Home Rule City, the City of Bryan is not limited by law in the amount of debt that may be issued. The City's charter (Section 12) states:

"The city council of the city shall have the power, and is hereby authorized to levy, assess and collect not to exceed one dollar and fifty cents (\$1.50) on each one hundred dollars (\$100) assessed valuation of all real and personal property within the city limits of the city not exempt from taxation by the constitution and laws of the State of Texas."

Article II, Section 5 of the State of Texas Constitution states in part:

...but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city."

The tax rate at September 30, 2005 is \$0.6364 per \$100 assessed valuation with assessed valuation being 100% of appraised values.

Table 12

CITY OF BRYAN, TEXAS
Ratio of Annual Debt Service Expenditures for
General Obligation Debt to Total Governmental Expenditures
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Agent Fees</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u> ⁽¹⁾	<u>Ratio of Debt Service to Total Governmental Expenditures</u>
1996	\$ 2,714,130	\$ 1,057,889	\$ 3,772,019	\$ 28,376,350	13.3%
1997	2,638,901	859,432	3,498,333	28,164,483	12.4%
1998	2,879,889	1,084,362	3,964,251	46,978,901	8.4%
1999	3,265,743 ^(a)	1,042,251 ^(a)	4,307,994	38,573,744	11.2%
2000	3,441,002	931,145	4,372,147	44,667,695	9.8%
2001	3,268,264	2,136,473	5,404,737	47,059,648	11.5%
2002	5,108,517	2,733,698	7,842,215	52,882,007	14.8%
2003	3,108,231	3,716,795	6,825,026	49,268,311	13.9%
2004	2,981,822	3,715,215	6,697,037	51,037,077	13.1%
2005	2,884,848	3,888,296	6,773,144	58,282,975	11.6%

⁽¹⁾ Includes General, Special Revenue, Capital Project and Debt Service Funds. Other financing uses are included in this total for fiscal years 1995 through 1998.

^(a) Excludes debt service in Special Revenue Funds.

Table 13

CITY OF BRYAN, TEXAS
Ratio of Net General Obligation Debt to Assessed
Valuation and Net General Obligation Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Assessed Valuation ⁽¹⁾	Total General Obligation Debt	Less Self Supporting General Obligation Debt	Amount Available in Debt Service Fund	Net General Obligation Debt	Ratio of Net General Obligation Debt to Assessed Valuation	Population	Ratio of Net General Obligation Debt Per Capita
1996	\$ 1,463,060,907	\$ 21,691,351	\$ 3,646,718	\$ 2,231,222	\$ 15,813,411	1.08%	61,000	259
1997	1,506,854,517	20,355,732	2,900,619	2,498,959	14,956,154	0.99%	61,270	244
1998	1,617,090,790	22,425,844	2,415,507	2,267,633	17,742,704	1.10%	62,330	285
1999	1,677,456,191	21,016,351	2,012,895	2,190,686	16,812,770	1.00%	64,267	262
2000	1,756,611,029	20,646,346	1,433,895	2,137,352	17,075,099	0.97%	65,660	260
2001	1,928,556,023	39,586,347	1,017,160	2,259,214	36,309,973	1.88%	66,375	547
2002	2,071,943,255	50,341,347	669,166	1,927,693	47,744,488	2.30%	66,754	715
2003	2,148,817,206	57,264,518	490,568	631,944	56,142,006	2.61%	69,356	809
2004	2,319,489,824	68,847,045	324,917	676,021	67,846,107	2.93%	69,146	981
2005	2,504,849,849	65,825,000	187,720	742,870	64,894,410	2.59%	69,396	935

Source:

⁽¹⁾ Brazos County Appraisal District.



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Table 14

CITY OF BRYAN, TEXAS
Utility Funds ⁽¹⁾
Revenues and Expenses
Last Ten Fiscal Years

Fiscal Year	Gross Operating Revenues	Operating Expenses Before Depreciation	Operating Income Before Depreciation	Depreciation and Amortization	Nonoperating Revenues	Nonoperating Expenses	Add or Deduct Net Operating Transfers	Net Income	Add Depreciation on Property, Plant and Equipment Acquired from Grants	Net Income Retained in Fund
1996	\$ 82,969,264	\$ 60,552,508	\$ 22,416,756	\$ 5,685,529	\$ 2,575,671	\$ 2,868,412	\$ (4,926,521)	\$ 11,511,965	\$ 151,249	\$11,663,214
1997	83,199,985	64,361,241	18,838,744	5,719,654	4,531,075	4,976,882	(12,598,159)	75,124	151,249	226,373
1998	85,896,195	65,552,491	20,343,704	5,983,577	4,021,586	1,975,558	4,269,419	20,675,574	151,249	20,826,823
1999	93,395,773	69,043,405	24,352,368	5,836,713	3,792,288	3,649,610	(5,787,867)	12,870,466	151,123	13,021,589
2000	103,835,050	75,914,629	27,920,421	5,876,411	4,916,894	2,195,661	(5,327,689)	19,437,554	151,123	19,588,677
2001	127,509,810	104,382,708	23,127,102	6,768,834	6,290,980	1,944,328	(9,278,973)	11,425,947	151,123	11,577,070
2002	⁽²⁾									

⁽¹⁾ Includes Electric, Water, and Wastewater Funds.

⁽²⁾ In fiscal year 2002 the revenue pledge of the combined municipal electric, water and wastewater utilities was separated into a pledge of municipal electric revenues and a pledge of the combined water and wastewater revenues.

Table 15

CITY OF BRYAN, TEXASUtility Funds ⁽¹⁾

Revenue Bond Coverage

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Revenue as Defined in Bond Ordinance ⁽²⁾</u>	<u>Average Annual Debt Service Requirement</u>	<u>Coverage</u>
1996	\$ 29,561,944	\$ 2,936,724	10.07
1997	20,776,183	3,012,940	6.90
1998	22,016,289	2,407,344	9.15
1999	27,296,641	2,896,522	9.42
2000	32,204,807	2,709,721	11.88
2001	29,364,361	2,504,985	11.72
2002 ⁽³⁾			

⁽¹⁾ Includes Electric, Water, and Wastewater Funds.

⁽²⁾ Net Revenue as defined in the bond Ordinance includes operating income before depreciation plus certain interest income.

⁽³⁾ In fiscal year 2002 the revenue pledge of the combined municipal electric, water and wastewater utilities was separated into a pledge of the municipal electric revenues and a pledge of the combined water and wastewater revenues.

Table 16

CITY OF BRYAN, TEXAS
Electric Fund
Revenues and Expenses
Last Ten Fiscal Years ⁽¹⁾

Fiscal Year	Gross Operating Revenues	Operating Expenses Before Depreciation	Operating Income Before Depreciation	Depreciation and Amortization	Nonoperating Revenues	Nonoperating Expenses	Add or Deduct Net Transfers	Net Income Retained in Fund
2002	\$ 95,138,925 ^(a)	\$ 78,605,338 ^(a)	\$ 16,533,587	\$ 4,727,082	\$ 1,991,975	\$ 366,533	\$(4,534,677)	\$ 8,897,270
2003	97,851,160	79,045,476	18,805,684	5,178,777	686,532	415,490	(5,440,000)	8,457,949
2004	111,473,455	99,500,163	11,973,292	5,597,319	2,899,511	427,053	(5,640,000)	3,208,431
2005	197,320,398	180,028,512	17,291,886	6,022,662	1,244,602	542,994	(5,245,000)	6,725,832

⁽¹⁾ In fiscal year 2002 the revenue pledge of the combined municipal electric, water and wastewater utilities was separated into a pledge of municipal electric revenues and a pledge of the combined water and wastewater revenues.

^(a) Fiscal year 2002 operating revenues and operating expenses before depreciation have been restated.

Table 17

CITY OF BRYAN, TEXASElectric Fund ⁽¹⁾

Revenue Bond Coverage

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Revenue as Defined in Bond Ordinance ⁽²⁾</u>	<u>Average Annual Debt Service Requirement</u>	<u>Coverage ⁽³⁾</u>
2002	\$ 18,525,562 ^(a)	\$ 615,487	30.10 ^(a)
2003	19,492,216	593,186	32.86
2004	12,676,774	589,498	21.50
2005	18,536,488	1,413,308	13.12

⁽¹⁾ In fiscal year 2002 the revenue pledge of the combined municipal electric, water and wastewater utilities was separated into a pledge of the municipal electric revenues and a pledge of the combined water and wastewater revenues.

⁽²⁾ Net Revenue as defined in the bond Ordinance includes operating income before depreciation plus certain interest income as defined by the bond ordinance.

⁽³⁾ Required minimum coverage is 1.10 times average annual debt service requirement.

^(a) Fiscal year 2002 net revenue as defined in the bond ordinance and coverage ratio have been restated.

Table 18

CITY OF BRYAN, TEXAS
Water and Wastewater Funds
Revenues and Expenses
Last Ten Fiscal Years ⁽¹⁾

<u>Fiscal Year</u>	<u>Gross Operating Revenues</u>	<u>Operating Expenses Before Depreciation</u>	<u>Operating Income Before Depreciation</u>	<u>Depreciation and Amortization</u>	<u>Nonoperating Revenues</u>	<u>Nonoperating Expenses</u>	<u>Add or Deduct Net Transfers</u>	<u>Net Income</u>	<u>Capital Contributions</u>	<u>Net Income Retained in Funds</u>
2002	\$ 16,282,207	\$ 10,480,770	\$ 5,801,437	\$2,399,492	\$ 1,521,366	\$ 2,661,558	\$(1,680,500)	\$ 581,253	\$4,282,793	\$ 4,864,046
2003	17,853,461	10,683,744	7,169,717	2,602,215	909,170	3,345,380	(2,073,231)	58,061	2,256,997	2,315,058
2004	18,097,236	11,237,317	6,859,919	2,811,858	459,130	3,182,734	(1,808,888)	(484,431)	2,372,508	1,888,077
2005	20,457,586	10,888,453	9,569,133	3,001,947	798,279	3,149,045	(24,258)	4,192,162	5,483,032	9,675,194

⁽¹⁾ In fiscal year 2002 the revenue pledge of the combined municipal electric, water and wastewater utilities was separated into a pledge of municipal electric revenues and a pledge of the combined water and wastewater revenues.

Table 19

CITY OF BRYAN, TEXAS
Water and Wastewater Funds ⁽¹⁾
Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Revenue as Defined in Bond Ordinance</u> ⁽²⁾	<u>Average Annual Debt Service Requirement</u>	<u>Coverage</u> ⁽³⁾	<u>Maximum Annual Debt Service Requirement</u>	<u>Coverage</u>
2002	\$ 7,315,588	\$ 4,489,821	1.63	\$ 5,287,750	1.38
2003	8,022,700	4,448,029	1.80	5,287,750	1.52
2004	7,315,979	3,583,647	2.04	5,833,600	1.25
2005	10,284,538	3,501,709	2.94	5,833,600	1.76

⁽¹⁾ In fiscal year 2002 the revenue pledge of the combined municipal electric, water and wastewater utilities was separated into a pledge of the municipal electric revenues and a combined pledge of the water and wastewater revenues.

⁽²⁾ Net Revenue as defined in the bond Ordinance includes operating income before depreciation plus certain interest income.

⁽³⁾ Required minimum coverage is 1.25 times average annual debt service requirement.

Table 20

CITY OF BRYAN, TEXAS
Rural Electric Fund
Revenues and Expenses
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Operating Revenues</u>	<u>Operating Expenses Before Depreciation</u>	<u>Operating Income Before Depreciation</u>	<u>Depreciation and Amortization</u>	<u>Nonoperating Revenues</u>	<u>Nonoperating Expenses</u>	<u>Net Income Retained in Fund</u>
1996	\$ 15,545,906	\$ 13,986,938	\$ 1,558,968	\$ 678,919	\$ 231,247	\$ 197,705	\$ 913,591
1997	15,708,929	14,027,043	1,681,886	685,046	254,493	329,556	921,777
1998	16,813,006	14,262,163	2,550,843	776,205	459,623	41,838	2,192,423
1999	16,500,016	16,145,311	354,705	812,638	169,616	143,705	(432,022)
2000	17,983,266	16,850,730	1,132,536	1,224,328	699,153	55,345	552,016
2001	20,869,141	19,618,171	1,250,970	923,196	543,421	45,228	825,967
2002	19,301,996	17,011,080 ^(a)	2,290,916	890,761	400,564	34,315	1,766,404
2003	19,114,630	16,179,841	2,934,789	909,558	54,676	35,802	2,044,105
2004	22,332,873	19,424,005	2,908,868	952,962	44,082	17,159	1,982,829
2005	24,406,821	21,468,000	2,938,821	986,245	149,142		2,101,718

^(a) Fiscal year 2002 operating expenses before depreciation have been restated.

Table 21

CITY OF BRYAN, TEXAS
Rural Electric Fund
Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Revenue as Defined in Bond Ordinance ⁽¹⁾</u>	<u>Average Annual Debt Service Requirement</u>	<u>Coverage ⁽²⁾</u>
1996	\$ 999,812	\$319,812	3.13
1997	1,891,211	294,950	6.41
1998	2,775,711	262,317	10.58
1999	524,321	217,385	2.41
2000	1,392,276	217,275	6.41
2001	1,550,802	217,065	7.14
2002	2,691,480 ^(a)	217,000	12.40 ^(a)
2003	2,989,465	218,325	13.69
2004	2,952,950	(b)	(b)
2005	2,101,718		

⁽¹⁾ Net Revenue as defined in the bond Ordinance includes operating income before depreciation plus certain interest income.

⁽²⁾ Required minimum coverage is 1.25 times average annual debt service requirement.

^(a) Fiscal year 2002 net revenue as defined in the bond ordinance and coverage ratio have been restated.

^(b) All outstanding debt of the Rural Electric system was retired in fiscal year 2004.

CITY OF BRYAN, TEXAS
Miscellaneous Statistical Data
September 30, 2005

Table 22

Date of incorporation	1871
Form of government	Council - Manager
Area (square miles)	43.7
Lane Miles of streets - paved	646
Fire and emergency Medical Services:	
Number of stations	4
Number of firefighters, officers and Emergency Medical Service personnel	90
Police protection:	
Number of stations	1
Number of sworn personnel	118
Recreation and culture:	
Number of parks	46 with 813 acres
Number of libraries	3
Number of volumes	248,240
Enterprise funds:	
Electric system (Municipal):	
Atkins Street power plant capacity	130 Megawatts
Roland C. Dansby power plant capacity	157 Megawatts
Number of substations	9
Primary fuel	Natural gas
Reserve fuel oil storage capacity - gallons	4,700,000
Miles of distribution lines	615
Miles of transmission lines	115
Number of connections	33,189
Average use per residential customer during the year - Kilowatt hours/month	1,467
Average electric bill per residential customer during the year - per month	\$135.99
Water system:	
Number of wells	9
Combined capacity of wells (gallon/day)	32,000,000
Ground storage capacity (gallons)	9,000,000
Elevated storage capacity (gallons)	4,000,000
Miles of water lines	399
Average consumption (gallons/day)	9,297,276
Maximum consumption (gallons/day)	24,741,000
Number of connections	20,799
Gallons of water made available for sale during the year	3,909,856,484
Gallons of water sold during the year	3,393,505,900
Wastewater system:	
Number of treatment plants	3
Combined capacity of plants (gallons/day)	12,750,000
Miles of lines	377
Average treatment flow (gallons/day)	7,437,896
Number of connections	19,943
Rural Electric:	
Number of connections	13,519
Average use per residential customer during the year - Kilowatt hours/month	1,881
Average electric bill per residential customer during the year - per month	\$173.70
Number of substations	12
Miles of distribution lines	1,854

Table 23

CITY OF BRYAN, TEXAS
Principal Taxpayers

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>2004 Assessed Valuation ⁽¹⁾</u>	<u>Percent of Total Assessed Valuation</u>
Adam Development	Real estate	\$ 33,209,840	1.33%
Verizon Communications	Communications	32,333,960	1.29%
Campus Lodge of Bryan LTD	Real estate/apartment leasing	19,285,330	0.77%
Wal-Mart/Sam's	Retail	18,943,120	0.76%
Brazos Valley Physicians Organization	Health care facilities	17,238,650	0.69%
Southwest Signature Park	Real estate/commercial property	16,671,514	0.67%
GGE/G G Enterprises	Real estate/commercial property	14,614,770	0.58%
Dowell Schlumberger Inc.	Oil & Gas Industry	13,876,625	0.55%
TAU Enterprises/St Joseph Hospital	Health care facilities	13,843,960	0.55%
Lowe's Home Centers Inc.	Retail	13,337,470	0.53%

⁽¹⁾ Assessed valuation at 100%.

Source: Brazos County Appraisal District

Table 24

CITY OF BRYAN, TEXAS
Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Per Capita Income ⁽²⁾</u>	<u>School Enrollment ⁽³⁾</u>	<u>Unemployment Rate ⁽²⁾</u>
1996	61,000	\$16,222	13,140	2.2
1997	61,270	17,610	13,407	2.0
1998	62,330	18,708	13,460	1.7
1999	64,267	19,015	13,672	2.1
2000	65,660	20,033	13,394	1.6
2001	66,375	21,028	13,577	2.3
2002	66,754	20,806	13,558	1.8
2003	69,356	21,863	13,927	2.3
2004	69,146	N/A	13,866	2.3
2005	69,396	N/A	14,029	4.1 ⁽⁴⁾

⁽¹⁾ Texas State Data Center

⁽²⁾ Texas Workforce Commission, Labor Market Information (TRACER)

⁽³⁾ Texas Education Agency/Bryan Independent School District

⁽⁴⁾ Brazos, Burleson and Robertson counties are now considered part of the Bryan-College Station metropolitan statistical area. Burleson and Robertson counties have a higher jobless percentage than Brazos County.

Table 25

CITY OF BRYAN, TEXAS
Construction Permits
Last Ten Fiscal Years

Fiscal Year	Residential Construction		Commercial Construction		Total	
	Number of Units	Value	Number of Units	Value	Number of Units	Value
1996	515	\$ 31,467,933	384	\$ 51,905,711	899	\$ 83,373,644
1997	441	24,580,015	201	62,028,914	642	86,608,929
1998	325	20,983,929	169	122,035,889	494	143,019,818
1999	475	30,012,009	170	94,207,094	645	124,219,103
2000	1,114	46,381,034	227	26,923,034	1,341	73,304,068
2001	585	28,339,297	173	20,474,915	758	48,814,212
2002	425	30,835,708	72	60,568,270	497	91,403,978
2003	584	43,988,651	60	28,684,617	644	72,673,268
2004	279	48,987,784	33	17,693,961	312	66,681,745
2005	649	59,587,931	52	44,995,413	701	104,583,344

Source: City of Bryan Building Services Division

Table 26

CITY OF BRYAN, TEXASBank Deposits
Last Ten Fiscal Years

<u>September 30</u>	<u>Bank Deposits (in thousands)</u>
1996	\$ 527,350
1997	569,930
1998	644,000
1999	788,577
2000	747,848
2001	769,175
2002	774,759
2003	867,869
2004	2,976,841 ⁽¹⁾
2005	402,796 ⁽²⁾

Source: Federal Deposit Insurance Corporation, Consolidated
Report of Condition: First American Bank SSB;
First National Bank, Bryan

⁽¹⁾ Includes all branches of First American Bank SSB

⁽²⁾ Includes First National Bank, Bryan

Table 27

CITY OF BRYAN, TEXAS
Special Assessment Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Beginning Balance Assessments Outstanding</u>	<u>Collections</u>	<u>Ending Balance Assessments Outstanding</u>	<u>Ratio of Collections to Total Assessment</u>
1996	\$ 222,625	\$ 15,738	\$ 206,887	7.07%
1997	206,888	20,027	186,861	9.68%
1998	186,861	14,389	172,472	7.70%
1999	172,472	7,228	165,244	4.19%
2000	165,244	1,360	163,884	0.82%
2001	163,884	7,932	155,952	4.84%
2002	155,952	6,233	149,719	4.00%
2003	149,719	7,967	141,752	5.32%
2004	141,752	3,115	138,637	2.20%
2005	138,637	3,768	134,869	2.72%

Table 28

CITY OF BRYAN, TEXAS
General Fund
Summary of Revenues, Expenditures and Fund Balances
Last Ten Fiscal Years

Fiscal Year	Revenue	Other Financing Sources	Total Revenue and Other Financing Sources	Expenditures ⁽¹⁾	Other Uses	Total Expenditures and Other Uses	Total Fund Balance	Unreserved/ Undesignated Fund Balance	Unreserved/ Undesignated Fund Balance As a Percent of Total Expenditures and other Uses
1996	\$ 18,207,228	\$ 8,295,046	\$ 26,502,274	\$ 25,825,080		\$25,825,080	\$ 5,205,048	\$ 4,437,940	17.2%
1997	19,734,072	5,032,585	24,766,657	22,667,277		22,667,277	7,304,428	6,751,724	29.8%
1998	21,506,394	5,895,455	27,401,849	26,480,514		26,480,514	8,520,563	7,927,401	29.9%
1999	23,189,790	8,744,684	31,934,474	30,510,000		30,510,000	9,945,037	5,363,763	17.6%
2000	24,235,098	6,012,072	30,247,170	32,358,499		32,358,499	7,833,708	3,341,288	10.3%
2001	28,375,924 ⁽²⁾	8,133,019	36,508,943	31,605,249	\$ 1,231,537 ⁽³⁾	32,836,786	11,505,865	4,691,711	14.3%
2002	28,190,636	7,906,520	36,097,156	32,718,832	1,670,823	34,389,655	13,213,366	5,329,226	15.5%
2003	26,695,723	7,443,369	34,139,092	31,211,832	805,513	32,017,345	15,335,113	9,562,144	29.9%
2004	28,842,636	7,497,805	36,340,441	32,517,686	1,679,020	34,196,706	17,478,848	9,448,005	27.6%
2005	32,108,917	7,791,286	39,900,203	38,094,132	105,943	38,200,075	19,178,976	11,364,609	29.8%

⁽¹⁾ Expenditures include capital outlay.

⁽²⁾ Includes adjustment for implementation of GASB Statement # 33.

⁽³⁾ Includes reclassification of long term advances to other funds.

Table 29

CITY OF BRYAN, TEXAS
 Analysis of Utility Fund and Solid Waste Fund Transfers to General Fund
 Last Ten Fiscal Years

Fiscal Year	Utility Funds Gross Operating Revenue	⁽¹⁾ Percent of Utility Fund Revenue Transferred to General Fund	Utility Fund Transfers to General Fund	Solid Waste Fund Gross Operating Revenue	Percent of Solid Waste Fund Revenue Transferred to General Fund	Solid Waste Fund Transfer to General Fund	Total Transfers to General Fund	Percent of Transfers to General Fund Revenue ⁽²⁾
1996	\$ 82,969,894	6.1%	\$ 5,080,253	\$ 4,452,869	6.1%	\$ 271,486	\$ 5,351,739	20.2%
1997	83,199,985	5.7%	4,750,144	4,657,757	6.0%	280,080	5,030,224	20.3%
1998	85,896,195	6.2%	5,314,612	4,960,406	6.5%	322,309	5,636,921	20.6%
1999	93,395,773	6.3%	5,909,981	5,079,260	6.2%	314,207	6,224,188	19.5%
2000	103,835,050	5.4%	5,590,661	5,297,768	6.2%	327,342	5,918,003	19.6%
2001	127,509,810	5.0%	6,414,256	5,386,571	6.1%	331,197	6,745,453	19.4%
2002	132,174,500	4.7%	6,218,677	5,826,237	6.5%	377,182	6,595,859	18.3%
2003	115,704,621	6.0%	6,965,022	6,063,613	7.3%	444,370	7,409,392	21.7%
2004	129,570,691	5.4%	7,057,588	6,238,189	7.0%	438,541	7,496,129	20.6%
2005	217,777,984	3.2%	7,000,878	6,616,052	8.8%	582,351	7,583,229	19.0%

⁽¹⁾ Utility Funds include Electric Fund, Water Fund and Wastewater Fund.

⁽²⁾ General Fund revenue includes other financing sources.

Table 30

CITY OF BRYAN, TEXAS
Retirement System Trend Information
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percent of Net Assets to Obligation</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Percent Unfunded Obligation to Payroll</u>
1996	\$ 35,993,256	\$ 43,369,693	83.0%	\$ 7,376,437	\$ 22,423,305	32.9%
1997	40,248,013	48,222,929	83.5%	7,974,916	22,233,284	35.9%
1998	44,569,606	57,139,609	78.0%	12,570,003	22,643,842	55.5%
1999	50,778,152	61,534,730	82.5%	10,756,578	24,108,550	44.6%
2000	56,330,006	67,723,063	83.2%	11,393,057	25,390,042	44.9%
2001	62,191,808	74,647,422	83.3%	12,455,614	26,995,850	46.1%
2002	69,174,251	86,984,346	79.5%	17,810,095	29,992,656	59.4%
2003	71,145,712	90,755,924	78.4%	19,610,212	31,120,401	63.0%
2004	74,564,440	99,513,556	74.9%	24,949,116	32,395,169	77.0%
2005	80,630,073	107,409,013	75.1%	26,778,940	32,047,255	83.6%

The Annual Report for the Texas Municipal Retirement System is issued annually at December 31. The information included on this schedule was taken from the Annual Report immediately prior to the September 30 year end for the City each fiscal year.

CITY OF BRYAN, TEXAS
Summary of Insurance Coverage

(Coverage period is October 1, 2004 to September 30, 2005, unless noted differently)

Section

I	Contract:	Claims Administration and MIS Services
	Service:	Worker's Compensation and Liability
	Administrator:	AS&G Claims Administration
	Rate Effective:	October 1, 2004 to September 30, 2005 (2nd one-year extension of option to extend 4 additional years)
	Rate:	\$52,000/year flat fee
<hr/>		
II	Contract:	Excess Liability & Workers Compensation
	Coverage:	Excess - General Liability/ Auto Liability/ Law Enforcement Liability/ Public Officials Liability/ Employee Benefits Liability/ Employers Liability/ Worker's Compensation
	Policy Period:	October 1, 2004 to September 30, 2005 (4th one-year extension of option to extend 5 additional years)
	Agent:	McGriff, Seibels & Williams of Texas, Inc.
	Insurer:	State National Insurance Company
	Policy Number:	MDB0221500
	Liability Limit:	Statutory worker's compensation \$ 5,000,000 each occurrence - GL/ AL/ LEL/ POL/ EBL/ EL \$10,000,000 policy aggregate
	Retention:	\$250,000 each occurrence
	Premium:	\$163,000
<hr/>		
III	Contract:	EMT Commercial Professional Liability
	Coverage:	Coverage for EMT medical practice
	Policy Period:	October 1, 2004 to September 30, 2005
	Agent:	McGriff, Seibels & Williams of Texas, Inc.
	Insurer:	Western World Insurance Company
	Policy Number:	NPP0909091
	Liability Limit:	\$1,000,000 each occurrence \$1,000,000 policy aggregate
	Retention:	\$250 per claim
	Premium:	\$5,882

continued

CITY OF BRYAN, TEXAS
Summary of Insurance Coverage

(Coverage period is October 1, 2004 to September 30, 2005, unless noted differently)

IV	Contract:	Special General Liability
	Coverage:	General liability for location specified in lease between City of Bryan and Southern Pacific Transportation Company
	Policy Period:	October 1, 2004 to September 30, 2005
	Agent:	Anco Insurance
	Insurer:	Mid-Continent Casualty Company
	Policy Number:	04-GL-000564203
	Liability Limit:	\$2,000,000 aggregate \$2,000,000 products/completed operations \$1,000,000 personal & advertising injury \$1,000,000 each occurrence \$50,000 fire damage \$5,000 medical expense
	Deductible:	\$0
	Annual Premium:	\$5,508
<hr/>		
V	Contract:	Property Special Form Coverage Insurance
	Coverage:	Special form coverage, mobile equipment, fuel oil, rented equipment, boiler & machinery (excludes power generation & distribution)
	Policy Period:	October 1, 2004 to September 30, 2005 (1st one-year extension of option to extend 4 additional years)
	Agent:	Texas Municipal League - Interlocal Agreement
	Insurer:	TML Intergovernmental Risk Pool
	Policy Number:	420-TML-279800-04
	Blanket Limit:	\$194,424,622 Real and Personal Property \$2,693,094 Mobile Equipment \$11,220,803 Auto Catastrophe \$10,000,000 Boiler & Machinery
	Deductible:	\$25,000 Real and Personal Property \$25,000 Mobile Equipment \$25,000 Auto Catastrophe \$25,000 Boiler & Machinery
	Coinsurance:	waived
	Annual Premium:	\$96,757

continued

CITY OF BRYAN, TEXAS
Summary of Insurance Coverage

(Coverage period is October 1, 2004 to September 30, 2005, unless noted differently)

VI	Contract:	Boiler and Machinery Insurance
	Coverage:	Direct Damage - Comprehensive
	Policy Period:	October 1, 2004 to September 30, 2005 (1st one-year extension of option to extend 4 additional years)
	Agent:	McGriff, Seibels & Williams of Texas, Inc.
	Insurer:	Federal Insurance Co., Chubb Group of Insurance Companies
	Policy Number:	76417448
	Liability Limit:	\$10,000,000 per accident \$250,000 expediting expense \$250,000 ammonia contamination \$250,000 water damage \$250,000 hazardous substance
	Deductible:	Gas Turbine Generator & Heat Recovery Steam Generator: \$200,000 Dansby Plant LM6000 Gas Turbine Generator & Equipment: \$500,00 All Other Turbine Generators: \$3.00 per KW Transformers greater than 35,000 KVA: \$25,000 Transformers 35,000 KVA to 60,000 KVA: \$35,000 Transformers 60,000 KVA to 75,000 KVA: \$45,000 Transformers 75,000 KVA and greater: \$125,000 Boilers at the Atkins & Dansby Plants: \$100,000 All other equipment: \$50,000
	Annual Premium:	\$284,065
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VII	Contract:	Commercial Crime Coverage
	Coverage:	Forgery or alteration, Theft, disappearance & destruction (inside and outside), Public Employee Dishonesty coverage with city manager added, computer fraud
	Policy Period:	October 1, 2004 to September 30, 2005 (1st one-year extension of option to extend 4 additional years)
	Agent:	Texas Municipal League - Interlocal Agreement
	Insurer:	TML Intergovernmental Risk Pool
	Policy Number:	420-TML-279800-04
	Liability Limit:	\$300,000 Dishonesty \$300,000 Forgery \$300,000 Theft (inside and outside) \$1,000,000 Computer Fraud \$500,000 Excess Limit for City Manager, Accounting Mgr, Chief Financial Officer
	Deductible:	\$5,000 Dishonesty \$5,000 Forgery \$5,000 Theft (inside and outside) \$5,000 Computer Fraud
	Annual Premium:	\$5,755



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